Austria	Sch22	Indonesia	Rp3100	Portugal	Esc120
Bahrain	Din0.650	Israel	NS3.50	S.Arabia	Rls7.00
Belgium	BFr48	Italy	L1700	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta145
Cyprus	C£0.90	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr10.00	Kuwait	Fils500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	$L125.00	Switz	SFr2.30
Finland	Fmk7.00	Lux	LFr48	Taiwan	NT$65
France	FFr6.50	Malaysia	Rin4.25	Thailand	Bht50
Germany	DM2.30	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr120	Morocco	Dh6.00	Turkey	L600
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	Nkr10.00	USA	$1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,645 Monday September 19 1988 D 8523 A

SOVIET UNION
Gorbachev starts looking eastwards
Page 16

World News

Swedish Government set to retain power

The Social Democrats will continue to govern Sweden with the support of the Communists after yesterday's general election, polling about half the votes between them.

The Greens will come into Parliament for the first time with 5.5 per cent of the vote. Page 18

Coup in Haiti

Brig-Gen Prosper Avril proclaimed himself Haiti's president after an apparently bloodless coup by middle-rank officers that ousted President Henri Namphy. Page 2

Gilbert peters out

Hurricane Gilbert, the most powerful Atlantic hurricane this century, petered out yesterday in north-eastern Mexico after a week-long rampage across the Caribbean. It killed 250 people, left a million homeless and destroyed $10bn of property. Page 18

Pope criticised

Rev Allan Boesak, South African anti-apartheid church leader, said Pope John Paul II had "given the South African Government more comfort than it deserved" during his tour of the region.

Resignation threat

Turkish Premier Turgut Ozal said he would resign and leave politics if voters overwhelmingly rejected a proposed constitutional amendment in a referendum this week.

Gangland round-up

Police arrested 750 people in anti-gang sweeps through Los Angeles. Two people were killed and five wounded in suspected gangland shootings, bringing to 212 the number of gangland deaths in Los Angeles this year.

Olympic gold sweep

Communist countries took all five golds on the first medal day of the Seoul Olympics, setting two world records along the way. South Korea's passion, Page 4

Coca-Cola ban lifted

Kuwait joined three other Gulf Arab states in lifting a 21-year-old ban on Coca-Cola in spite of an Arab decision to keep it on a black-list for its dealings with Israel.

W Sahara battle

Morocco and its guerrilla enemies in the Polisario Front reported a battle in the Western Sahara less than three weeks after conditionally approving a United Nations peace plan. Morocco said there were 270 casualties.

Solidarity's return

Solidarity leader Lech Walesa told tens of thousands of cheering Polish workers that the free trade union very soon be restored to legal status.

Yugoslavs protest

Tens of thousands of Yugoslavs threatened mass rebellion if the country's leaders failed to take action against the alleged persecution of Serbs by ethnic Albanians in Serbia's Kosovo province.

Soviet decree

The Soviet Union, in a hardline decree, made demonstrating punishable by heavy fines and the organisers liable to labour camp terms.

Bangladesh flooding

Monsoon-swollen rivers from neighbouring India have triggered more floods in parts of Bangladesh, where at least 950 have already died.

Israeli space bid

Israel is close to launching its first space rocket, the Israel Space Agency said.

Ninety-year sleep

Gold prospectors in Siberia found a frozen amphibian in a shaft they had sunk into the permafrost, and revived the animal from a 90-year "sleep," a Soviet newspaper reported.

Jackson's $60m

Pop singer Michael Jackson has passed comedian Bill Cosby to become the world's highest-paid entertainer.

Business Summary

Elsevier and Reed came close to merger

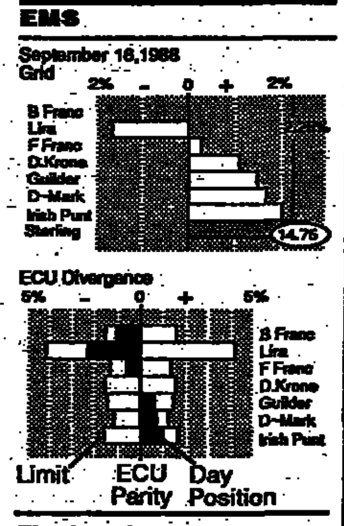
ELSEVIER, Dutch publishing group which last week announced a strategic link-up with Pearson, the diversified group which publishes the Financial Times, came close to merging with Reed International, the British-based publishing concern, earlier this year. Page 7

EUROPEAN Commission advisers are due to decide today whether to recommend shelving draft plans for common standards for the protection of the EC's 80m credit card holders. Page 6

EUROPEAN Monetary System: West Germany's growing trade surplus was considered the main factor behind renewed tension within the EMS last week. The Bank of France sold some of D-Marks to try to underpin the French franc.

All currencies traded within their divergence limits; however, the growing trade imbalance between West Germany and its EMS partners caused concern.

EMS



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move by more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (Ecu), itself derived from a basket of European currencies.

GREENLAND is to raise money abroad for the first time, in a move that will burden its people with more foreign debt per head than Brazil. Page 24

WEST GERMAN Finance Ministry has agreed the basic outline of a plan to restructure Bonn's funding of the Airbus project. Page 6

SOVIET UNION agreed to lend China SFr130m ($82m) to complete a rail line across their central Asian border on which work stopped 30 years ago.

CANADA will experience some moderation in economic growth over the next 15 months, according to a report by the Organisation for Economic Co-operation and Development, after five years when its real output expanded faster than that of any other major OECD member. Page 2

COCOA: Crisis talks at the International Cocoa Organisation (ICCO) in London ended Saturday morning with delegates no nearer any solutions to their pressing problems than they were two weeks ago. Page 3

IPECO HOLDINGS, manufacturer of specialist products for the aviation and defence industries, showed a decline from the figures of the corresponding period and is to sell its loss maker Airlec, cargo handling equipment business. Page 20

MILAN BOURSE sees its largest fund-raising operation of the year launched with a L1,100bn ($785.7m) rights issue for Assicurazioni Generali, Italy's biggest insurance group and third ranking insurer in Europe. Page 24

ROBERT M. BASS Group is terminating its $75 a share tender offer for Macmillan, US publisher, because of an offer from Robert Maxwell's Maxwell Communication for about $87 a share. Page 24

STATOIL, Norway's state oil company, is to raise about NKr300m ($45m) through the sale of a 1 per cent stake in Statpipe, 800km gas pipeline. Page 24

FIRST BOSTON, US investment bank, is to buy MacNab Clarke, one of Australia's top institutional brokers, for an unspecified sum, a major expansion for First Boston in Australia. Page 24

Burma army takes over in old-guard bid to keep power

By Roger Matthews in Bangkok

BURMA'S armed forces took control yesterday in a coup giving the country its fourth head of state within two months.

A night curfew was imposed in the capital of Rangoon and all demonstrations were banned as the regime, which has ruled Burma for the past 26 years, launched its latest and most desperate bid so far to retain power.

As darkness fell, demonstrators in Rangoon ignored both the ban and the curfew and there were reports of explosions and gunfire.

The coup comes after two months of mounting anarchy, with the country at a standstill and the streets regularly filled with tens of thousands of demonstrators demanding multi-party elections and democracy.

The coup was nominally led by General Saw Maung, the Defence Minister and Army Chief of Staff. He has been noted principally for his loyalty to General Ne Win who took power in a peaceful coup in 1962 and ruled the country in an increasingly autocratic manner until he stepped down suddenly in July.

General Saw Maung is the third member of General Ne Win's inner circle to attempt to restore the regime's authority. General Sein Win, the commander of the riot police, tried briefly and bloodily after Ne Win stepped down but he gave way to Dr Maung Maung, a civilian supporter of Ne Win, on August 19.

President Maung Maung offered more substantial concessions to the opposition leaders and even convinced some observers that he was preparing to hand over to an interim government which would oversee multi-party general elections.

But the students and Buddhist monks, who have been in the forefront of the mass protests which have made Burma ungovernable since July, were unconvinced.

Some student leaders claim that the regime's decision to stage a military coup had been taken as long ago as August 23 and that the interim period had been used solely for the purpose of encouraging opposition leaders to expose themselves to the authorities.

Students and monks immediately took to the streets again yesterday chanting defiance to the latest military Government and raising the prospect that the military and the demonstrators might now be moving towards direct and dangerous conflict with each other.

Yesterday evening many thousands of demonstrators gathered outside the American embassy and the general hospital, scene of previous confrontations with the military. A witness said the demonstrators were armed with a variety of weapons but did not appear to have any firearms.

The mood of the students was described as determined and some seemed to relish the prospect of a confrontation with the army as the only way finally to topple the Ne Win regime. In some areas, trees were felled and concrete blocks placed as barricades across main streets.

Burma Radio last night broadcast martial music punctuated by announcements of the coup and the establishment of a 19-member Organisation for Building Law and Order in the State, headed by General Saw Maung and composed entirely of senior military officers.

The Organisation said its purpose was to halt the deterioration in conditions throughout the country, in the interests of the people. It urged all political organisations which accepted the practice of genuine democracy to start preparing for elections. All state employees were ordered to

Continued on Page 18

Polish Government to resign as criticism increases

By Christopher Bobinski in Warsaw

THE POLISH Government, which has come under attack in recent months for its handling of the economy, is to resign today at a meeting of Parliament, Mr Zbigniew Messner, the Prime Minister, told Communist Party deputies yesterday.

The resignation will come as Parliament debates a report by its Economic Reform Committee, which is expected to repeat criticism openly voiced that the Government's commitment to economic reform has been half-hearted and its prices policy, which led to recent industrial unrest, misguided.

General Wojciech Jaruzelski told yesterday's meeting that the vote on the resignation by Communist Party deputies who hold 245 of the 460 seats in the Chamber was to be a free one. He made no mention of any possible successor; nor did he attack the Prime Minister directly, but merely asked his Parliamentary colleagues to use their best judgment on whether to accept the resignation.

Mr Messner has been Prime Minister since autumn of 1985 and next month he was to have hosted a visit to Poland by Mrs Thatcher, the British Prime Minister. If, as is expected, the resignation is accepted, it seems likely that Mr Messner will be asked to perform a caretaker role until a successor is chosen.

The Government came in for heavy criticism at a Central Committee meeting at the beginning of this month, and there General Jaruzelski went out of his way to avoid giving the impression that Mr Messner was being used as a scapegoat to ease the party's present plight.

Nevertheless, this is the way the resignation will be seen at large, as General Jaruzelski himself is beset by widespread discontent at the state and prospects for theeconomy and now demands that solidarity be re-legalised. Official opinion polls are showing growing public tolerance of strikes and a plummeting popularity of government and party figures, while the standing of Solidarity leaders has improved.

Last week, the official OPZZ Trade unions called for the Government's resignation in a bid to improve their own image and channel public resentment against the administration. rather than the Communist Party.

Market forces Tokyo to trim NTT sell-off

By Ian Rodger in Tokyo

UNFAVOURABLE market conditions have forced Japan to reduce the number of shares of Nippon Telegraph and Telephone to be offered to Japanese investors next month as part of the gradual privatisation of the telecommunications utility.

The number of shares available in the third tranche of NTT shares to be sold has been cut from a planned 1.95m to 1.5m. But with NTT shares closing on Friday at Y2.2m ($16,467) each, even the reduced number is expected to raise more than Y3,000bn ($22.46bn).

By law, only Japanese nationals can buy the shares, but some brokers are willing to hold them on behalf of foreign clients. Altogether, some 260 securities firms are expected to participate in the distribution of the shares, 40 of them foreign.

Analysts say the Tokyo stock market, which has been relatively stagnant for the past three months, has been adversely affected by a large volume of new issues and the prospect of more big ones, especially the NTT issue.

In the year to August, the combined value of equity and equity-related issues was about Y8,800bn, roughly 20 per cent more than in the same period last year.

Japanese securities industry officials welcomed the decision to reduce the allocation, announced on Friday by the Ministry of Finance, saying that it would help improve the tone of the market for the issue.

NTT shares have performed especially poorly since the second tranche of 1.95m shares was sold to the public by the Japanese Government in November at Y2.55m a share.

Last autumn, the shares did well in the run up to the second issue, only a few weeks after black Monday. However, analysts doubt that the Government and the big securities houses, which were accused of managing the market last year, will be able to do it again this year.

For one thing, any significant improvement in the NTT share price could lead to a lot of selling by disgruntled purchasers of the last issue. Also, as a result of recent insider trading scandals, there is greater sensitivity these days in Tokyo to evidence of market manipulation.

The first tranche of 1.95m shares was sold in January 1987. The Government holds 12.1m shares, 77.5 per cent of those outstanding, and plans to make further large annual issues to reduce its stake ultimately to about 33 per cent.

The third tranche is scheduled for October 20 and 21 and the selling price will be about 3.5 per cent below the closing market price on October 19.

US insists on programme to cut IMF bad debts

By Philip Stephens, Economics Correspondent, in London

THE US Administration has indicated that it intends to block a planned increase in the resources of the International Monetary Fund until member governments agree a firm programme to reduce the soaring level of bad debts to the Fund.

Mr Michel Camdessus, IMF managing director, is expected to call for a rise of between 50 and 100 per cent in quotas, or membership subscriptions, during the Fund's annual meeting in Berlin next week.

The quotas, which stand at SDR 90bn ($115.25bn), provide the basis for the Fund's lending activities and were last increased in 1983.

Mr Camdessus has indicated that he believes a rise of at least 50 per cent is needed to take account of economic growth and inflation over the last five years and that a rise of 100 per cent would be preferable.

A decision on the increase was due earlier this year but the deadline was postponed until April 1989, after the US presidential election. The expectation was that loose guidelines might be established by finance ministers at the Berlin meeting.

In preliminary talks among senior officials last week, however, the US – the IMF's largest shareholder – indicated that it was drawing a direct link between any quota increase and an agreement on efforts to reduce loan arrears.

An Administration official, confirming the US position, said: "We would not be willing to support a quota increase while the arrears problem in the Fund is not resolved and is growing."

Washington's view is that even if it were proposed by the Administration, the Congress would not be prepared to agree to a quota increase until the bad debts trend is reversed.

The Fund's latest annual report shows that the amount owed by member countries with payment arrears of six months or more rose dramatically from SDR 182m in 1985 to SDR 1.9bn at the end of the financial year which ended in April. The report says: "The elimination of arrears is crucial for maintaining the financial integrity of the Fund."

More recent figures, however, are thought to show the total in outstanding arrears has now risen to SDR 2.8bn, of which SDR 2.2bn has been overdue for two months or more.

Most of the money is owed by a small group of countries – Peru, Liberia, Zaire, Sudan, Sierra Leone, Vietnam, Guyana and Somalia and Zambia are thought to account for more than 90 per cent.

The problem is that almost all the main debtors have been declared ineligible for further fund assistance, which in turn virtually cuts them off from other sources of finance. In most cases that has created a vicious circle in which it is impossible for them to reduce their arrears.

Economics Notebook, Page 19

Japan offers to share HDTV technology

By Maggie Ford in Seoul

JAPAN yesterday launched a counter attack in the battle over standards for new generation high definition television by offering the technology to any foreign company which wanted it at a price reflecting only the development cost.

Europe and the US have recently announced that they plan to set their own standards for HDTV, raising the possibility of three incompatible systems being introduced.

Mr Keiji Shima , chief executive of NHK, the state-owned Japanese broadcaster, said this would lead to the same inconvenience as existed with the first generation of colour television sets.

He said NHK was willing to give its technology at cost to any company wishing to make receivers. Japan had spent 20 years developing HDTV and was far ahead of other countries, said Mr Shima.

NHK planned to have talks shortly with Philips of the Netherlands and Thomson of France and the European Broadcasting Union on the standards issue. Further talks were also planned with US Government and industry officials.

It had already offered its technology to Samsung Electronics, the South Korean producer.

Mr Shima said the offer to sell its technology at cost was in accord with recent guidelines by the US Federal Com-

Continued on Page 18

UK leads minority against EC tax harmonisation proposals

By David Buchan in Elounda Beach, Crete

NINE OF the European Community's 12 members now appear ready to accept the principle – although by no means all the details – of the European Commission's controversial indirect tax harmonisation plans.

However, Britain, Denmark and Luxembourg remain in varying degrees of opposition to a fiscal plan that requires unanimity among EC member states.

The nine-three split emerged from an informal meeting of EC finance ministers convened at by Greece at a Cretan beach resort. Greece at present holds the presidency of the EC Council.

The tax issue dominated the discussions which also touched on the forthcoming IMF-World Bank meeting and on EC infrastructure funding, but not – despite the presence of central bank governors – on the EMS.

The Commission said it would amend, probably by the end of this year, its proposals to move national rates of value added and excise taxes closer together, in preparation for a barrier-free Community after 1992.

But Lord Cockfield, the EC internal market commissioner, made clear that the amendment – to be made after new consultations with all governments, including the UK – would be aimed at meeting the many objections to his call for single EC excise duty rates on alcohol, tobacco and petrol, and to his proposed "clearing system."

This would allocate VAT receipts among EC states which would not have fiscal frontiers between them.

The Commissioner said, however, that he found general majority support for grouping national VAT rates into two bands, which he provisionally sets at 4 to 9 per cent for "necessity" items and a 14 to 20 per cent standard rate.

Neither Lord Cockfield nor

Continued on Page 18

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THE MONDAY INTERVIEW

Bill Gates, chairman and co-founder of Microsoft, the world's largest independent computer software company, has made it almost immune from changing fashion and technological traumas which affect the industry
Page 40

Canada's growth to slacken soon, OECD reports

By David Owen in Toronto

CANADA will experience some moderation in economic growth over the next 15 months, according to a report by the Organisation for Economic Co-operation and Development, after a five-year period when its real output expanded more rapidly than that of any other major OECD member.

In a survey of the country's economic prospects, published today, the organisation forecasts growth of about 4 per cent in 1988, falling to 3.25 per cent in 1989, "in the absence of a recession abroad".

The organisation also projects that unemployment will drop below 7 per cent, from 7.75 per cent, in mid-1988, and that inflation will "edge up" from about 4 per cent now.

Fiscal strategy may have to be reappraised, however, with increasing efforts directed at further reduction of the federal and provincial budget deficits. These totalled 4.5 per cent of gross domestic product in 1987.

The OECD gives three main reasons why it considers such efforts "indispensable": to control the build-up of debt, to make funds available for productive investment and to contain inflationary pressures.

So, although the federal budget deficit has been reduced from 7.4 per cent of GDP in 1984-85 to 3.9 per cent in 1987-88, a more rapid fiscal consolidation than that set out in the government's February 1988 medium-term plan would seem desirable.

Because of dwindling domestic savings, the government has been driven increasingly to finance the budget deficit by borrowing abroad, to the detriment of the country's balance of payments. The current external deficit is forecast to widen by fully 50 per cent

The country's monetary policy-makers are praised for letting interest rates rise promptly to nip inflationary pressures in the bud from 1986 onwards. The unexpectedly strong growth since mid-1987, however, has made it all the more important that monetary restraint be supported by other policies, the report warns.

Bentsen scours the South for 'Reagan Democrats'

By Lionel Barber in Panama City, Florida

HERE IN THE "redneck Riviera" on Florida's gulf coast, Senator Lloyd Bentsen tells Democrats that he speaks three languages: English, Spanish and Southern.

His audience invariably gets the message: Senator Bentsen, 67, may have a courtly manner more suited to the House of Lords, but he is also a Texan, a plain-talkin' man of the South who can appeal to the region's conservative Democrats.

At a Saturday morning rally in Panama City, as the country and western band mercifully jigged its way to a close, the Democratic vice-presidential nominee made his pitch: "I've been looking for old friends who have wandered away in recent years," he said, "I'm looking for the Reagan Democrats and I'm urging them to come home."

Whether they are responding, as Senator Bentsen claims, is an open question. Once bitten by liberal Democratic presidential candidates such as George McGovern and Walter Mondale, these voters have continued to support local Democratic party candidates for office but fought shy of the national ticket. In 1980 and 1984, they turned to the more reassuring figure of Ronald Reagan.

Senator Bentsen, a decorated Second World War bomber pilot who is strong on national defence, against gun control and for aid to Contra rebels in Nicaragua, is supposed to balance Governor Michael Dukakis of Massachusetts at the top of the Democratic presidential ticket. His selection, he says, shows that in 1988 the Democrats will not abandon the South to the Republicans and Vice-President George Bush.

Yet for all the talk of party unity, southern Democrats still sound a touch defensive when promoting the Dukakis-Bentsen ticket.

Senator Bentsen's campaign role is to talk Southern and to vouch for Mr Dukakis – who remains best known for his unusual name and the fact that he comes from liberal Massachusetts.

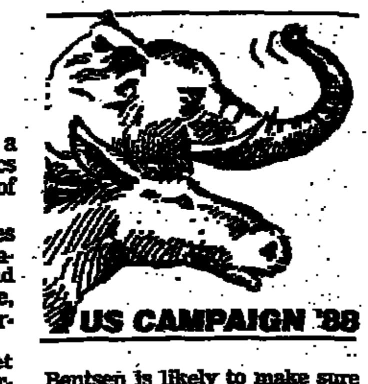
The balancing act is essential if the Democrats in 1988 are to stay competitive in southern states such as North Carolina, Arkansas, Tennessee, all of which have recently elected progressive Democratic governors and ought therefore to lean to the Dukakis-Bentsen ticket.

Senator Bentsen will be a powerful figure in US politics no matter what the outcome of the November election.

Under Texan electoral rules he is allowed to run simulataneously for Vice-President and re-election in his home state, where he is considered a certainty.

If the Democratic ticket loses, he will continue as chairman of the Senate Finance Committee which has a key voice in economic and trade policy (Senator Bentsen was a co-author of this year's Omnibus US Trade Bill.)

If Mr Dukakis wins, Senator Bentsen is likely to make sure he has influence as Vice-President in trade and international economic policy. Having served 18 years in the US Senate, he is not accustomed to taking a back seat in policy-making.



Inflation 'unchecked in Latin America'

By Nancy Dunne in Washington

LATIN AMERICA'S debt load last year continued to weigh repressively on the economy by boosting inflation and restraining sorely needed investment in productive capacity, according to the Inter-American Development Bank's annual report on the area.

While the industrialised countries have been controlling inflation, Latin America has been unable to make similar progress, largely because of net financial transfers going towards debt service.

"A decline in the availability of goods in the economies of the region (increased exports combined with lower imports) has led to a demand-pull type inflation with declining supplies rather than increasing income [with some exceptions] being the key factor driving prices upwards," the report says.

Although the region's rate of growth of GDP dropped off last year – from a 3.6 per cent average in 1984-86 to 2.6 per cent in 1987, the IADB was able to spot some hopeful signs. Some countries have made remarkable improvements on inflation, notably Bolivia, which suffered the worst rate in the region (over 11,000 per cent in 1985). Bolivia was able to bring prices under control so that by last year the CPI rose by a comparatively modest 14.6 per cent.

In a speech delivered last Tuesday by Mr Enrique Iglesias, the Bank's new president, and in the annual report, Latin America's move toward an export culture was viewed as one of the more positive trends.

The manufacturing sector lost momentum; the share of health outlay as a percentage of total spending is now lower than at the beginning of the decade. Although Latin America has sacrificed immeasurably and introduced many structural reforms, the region cannot recover without concerted action to reduce the debt burden

Army faction seizes power in Haïti

BRIG-GEN Prosper Avril declared himself president of the Caribbean republic of Haïti yesterday, having ousted President Henri Namphy, AP reports from Port-au-Prince.

Lt-Gen Namphy was then granted political asylum by the neighbouring Dominican Republic and travelled to its capital.

Speaking on national television early yesterday, Gen Avril said the presidential guard that he commands had toppled Gen Namphy on Saturday because it was "sickened" by the way Haïti was being governed.

Residents had reported hearing heavy gunfire on Saturday near the presidential palace, in what appeared to be fighting between military factions.

Gen Avril, a former adviser to President Jean-Claude Duvalier, said Haïti will respect all international treaties, liberties and human rights.

He has been a key figure in government since Mr Duvalier fled to exile in France in 1986. He was an adviser to a military-civilian junta, headed by Gen Namphy, which succeeded Mr Duvalier.

A senior official said yesterday Col Jean-Claude Paul was named the new commander-in-chief of the army. Col Paul was indicted by a grand jury in the US in March for conspiracy to smuggle cocaine into the US – a charge he denied.

The coup came six days after thugs had invaded a church in Port-au-Prince during Mass being said by Fr Jean-Bertrand Aristide, a regular occasion for vehement criticism of the military government.

They killed 13 people and wounded 77, and set fire to the church as soldiers watched from across the street.

OBITUARY: HENRY C. WALLICH

Inflation-fighter of great charm and energy

PROFESSOR Henry C Wallich has died in Washington at the age of 74.

He was a Governor of the Federal Reserve Board for 13 years before retiring in 1986 and played a key role in the formulation of the international monetary co-operation policies of the central banks of the main industrial countries.

His personal charm and warmth endeared him to his students and his colleagues. His career spanned business, journalism, academia and government service.

Professor Wallich travelled and wrote prolifically in his efforts to increase mutual understanding among policy-makers at the highest levels of Government, while trying to make the formulation of domestic and international monetary policy more readily understandable to journalists and lay people.

He maintained, in spite of advancing years, a travel and work schedule which a much younger man would have found daunting. He was forced to retire from the Federal Reserve in 1986 shortly after an operation for a brain tumour.

Henry Wallich was born in Berlin in 1914, the son of a banker. He emigrated to the US in 1935 and worked for Chemical Bank in New York while taking a master's degree in economics at New York University. His doctorate was received at Harvard before he joined the New York Federal Reserve in 1941.

In 1951 he was appointed an economics professor at Yale. In 1955 he published Mainsprings of the German Revival, regarded as the definitive work on the roots of West German postwar economic recovery.

At the Fed, Professor Wallich was seen as a conservative in his views on monetary policy views. "Henry is, first of all an inflation-fighter, deeply committed to the need for currency and financial stability," Mr Paul Volcker, then chairman of the Fed, said on his retirement.

Professor Wallich was widely respected in Europe. As the governor responsible for international affairs during frequent turmoil on the foreign exchanges, he travelled 10 times a year to Basle to represent the Fed at meetings of the central bankers of the Group of Ten industrialised countries.

He is survived by his wife Mable, his mother, two daughters and a son, and two grandchildren.

Stewart Fleming

FINANCIAL TIMES

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OVERSEAS NEWS

Maputo seeks political, economic stability

Laying down tracks for economic independence

Jeremy Harding reports on the Limpopo railway

IN A siding at the run down railway station of Mapai in southern Mozambique stands an old diesel locomotive pocked with bullet holes. But for all the shots it stopped, the worst damage to the engine occurred during a confrontation with an irritable male elephant who stove a large hole through its front with one of his tusks.

That was several years ago. Such titanic confrontations on the Limpopo railway are of less concern to the engineers now rehabilitating the line than the pressing questions of project funding and adequate protection from the Mozambique National Resistance, the anti-government insurgent group which operates within Mozambique with the aim of bringing down the Frelimo government.

The railway runs 530km through the Limpopo valley and joins the Mozambican capital Maputo to the Zimbabwean border. It has long been regarded by black-ruled states in southern Africa as a means to reduce their trade and transport dependency on South Africa.

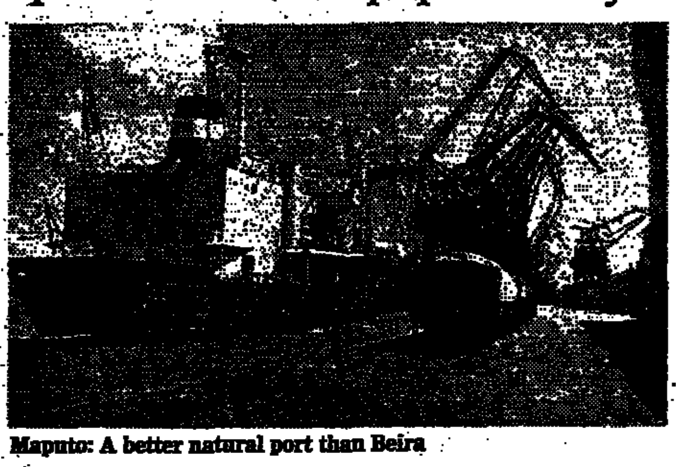
The Limpopo line was one of three rail corridors through Mozambique which were earmarked for rehabilitation during the early 1980s, when MNR activity had put it out of action.

At the end of 1986, Britain provided £10m towards the Limpopo project – a figure which has since risen to around £14m.

At a donor's conference in Maputo last month, several countries made further pledges for the Limpopo project to a total of $60m. Donor countries included the US, Austria, Canada and Britain, which continues to spearhead the project.

Thew project is important to the economies of both Zimbabwe and Mozambique since the railway's features give it better potential for development than those of the line which runs across central Mozambique to the port of Kira.

The third line, the Beira railway, which also extends to the Zimbabwean border, is already open after a similar but less demanding rehabilitation project. But its freight capacity is severely hampered by the lines' steep curves and, at one point, a big escarpment.



Maputo: A better natural port than Beira

The volume of traffic entering and leaving the port of Beira are also drastically restricted by a shallow access channel and delays at the terminal itself, which averaged as much as 23 days for containers last November.

A refurbished Limpopo line would have none of these disadvantages. Maputo is a better natural port than Beira and freight there can be turned around more quickly. Furthermore, the railway track runs over almost level ground and has only one bend. Project engineers reckon that on track of this quality locomotives could pull up to 12,500 gross tonnes per day in both directions after a full rehabilitation. It is hoped that renewal of the line will be complete some time in the 1990s.

It is estimated that that this would constitute roughly 30-40 per cent of Zimbabwe's traffic needs and save some $20m a year overall on costs currently incurred by the country's use of South African ports and rail facilities. The railway would also cut the costs of exporting minerals for both Botswana and Zambia.

But the MNR still poses a regular threat to the railway's staff and to the progress of rehabilitation, despite the presence along the single track line of two companies of British-trained Mozambican troops. There have been several attacks on Zimbabwean track personnel since they began working at the northern end of the project last year. Sabotage on the track is frequent further south.

When the first project funds were made available, National Railways of Zimbabwe won a large contract for comprehensive track relaying at the northern end of the line. They completed the initial work in May and have since pressed on south with track relaying and important maintenance work, basing 200 track personnel at Mapai, 80km inside Mozambique.

Meanwhile, their Mozambican counterparts – who are supposed to be working up the line from Maputo – have been bogged down by security threats and delays in the repair of a cement sleeper factory near Maputo.

It now looks as though NRZ, which did the greater part of the Beira rehabilitation, will end up repeating the process on the Limpopo railway. NRZ track crews are progressing south at a target rate of 20km a month, says Mr Joe Strachan, assistant general manager of Zimbabwe's railways.

Mr Strachan hopes that the railway will open to limited commercial traffic in the autumn. However, even if security problems can be eradicated and a further $140m can be secured for priority repairs and the purchase of rolling stock, the railway will not be operating regularly until after 1991.

Howe urges Pretoria to observe peace pact

By Michael Holman in Maputo.

BRITAIN has called on the South African Government to respect the terms of a non-aggression pact with Mozambique, making it clear for the first time in public that it believes Pretoria has been violating the treaty signed at the border town of Nkomati in 1984.

The US has already charged South Africa with continuing to back the Renamo rebel movement in Mozambique despite the treaty, but Britain has taken a more cautious stance.

The call, renewed at a press conference yesterday, came in a speech by Sir Geoffrey Howe, the British Foreign Secretary, intended to reinforce Britain's backing for black Southern African states' efforts to reduce trade and transport links with South Africa.

The speech, in which Sir Geoffrey announced a £30m grant to Mozambique, is also seen as a signal to Pretoria that Britain is anxious to see positive results from the recent meeting between President P W Botha of South Africa and President Joaquim Chissano.

Speaking at the start of his visit to Mozambique, the last stop on his five-country African tour, Sir Geoffrey said apartheid cast a "dark shadow" over Southern Africa.

In a passage which clearly implied that Britain believed Pretoria has breached the pact, Sir Geoffrey said: "For our part, we are doing all we can to urge the South African government to live up to the full spirit of the Nkomati accord, and to respect the sovereignty of its neighbours and the inviolability of their frontiers."

Cut in Soviet harvest likely

By Quentin Peel in Moscow

MR Mikhail Gorbachev, the Soviet leader, has confirmed that despite an agricultural reform drive the 1988 grain harvest will fall short of last year's 211m tonnes.

Hopes for a further improvement, sorely needed when food shortages have become a political test of perestroika, have been dashed by poor harvests in Siberia, Kazakhstan and along the Volga river basin, all affected by drought.

Mr Gorbachev's admission came at the end of his week-long trip to central Siberia, marked by criticism from the crowds at their living conditions – broadcast on Soviet television – and grim realism from Mr Gorbachev himself in urging both patience and greater involvement from the Soviet citizens.

His twin themes on his first trip outside Moscow since his summer holiday have been the urgent need to improve social conditions – with food supply the most crucial element in that – and the need for ordinary people to get involved in economic and political reform.

Agricultural experts had not expected any dramatic transformation of Soviet agriculture in the short term, because the major reform – encouraging groups and families to lease land from the state farms and collectives to become independent producers – has only been given top priority in recent months.

Last year's 211m tonne grain harvest, still 21m tonnes short of the target, was nonetheless considered a success due largely to sheer hard work and improved labour productivity.

"It is evident we will not be able to keep up to that level this year," Mr Gorbachev told his audience in Krasnoyarsk on Friday. Last week the US Department of Agriculture cut its forecast to 205m tonnes.

As important as the absolute amount of the crop will be improvements in quality, transportation and storage.

Mr Gorbachev gave a stern lecture to the party workers he was addressing, warning them against "hasty conclusions" about a threat to perestroika, while admitting the slow economic progress.

"Now is the most difficult period," he said. "The point at issue is revolution. The fate of socialism. Deeds are now required, and in this we are starting to lag behind. We have all ultimately agreed on the policy of perestroika: we have agreed there is no alternative to it."

● The Soviet authorities have made demonstrating punishable by heavy fines and made organisers liable to labour camp terms. The unpublicised decree was adopted on July 29 but circulated only yesterday, Reuter reports.

Crisis cocoa pact talks fail

By David Blackwell

CRISIS talks at the International Cocoa Organisation (ICCO) in London ended in the early hours of Saturday morning with delegates no nearer a solution to their pressing problems than they were two weeks ago.

The cocoa agreement does not officially expire until the end of September 1990, but for all practical purposes it is already dead. Its economic clauses have been sidelined and it is fast running out of money.

Delegates have agreed to hold another meeting in January to try again to untangle differences between producer and consumer countries. Until then, the organisation remains powerless to intervene in the market.

Its impotence dates back to last March, when the buffer stock (which aims to support prices by buying surplus cocoa from world markets) reached the maximum permissible 250,000 tonnes. A row broke out between the consumers and producers over the level of prices which they should be defending.

Consumers were arguing then that under the rules the support price range should have been automatically reduced by 115 Special Drawing Rights ($150) to between SDR 1,370 and SDR 2,040 a tonne. Producers refused to accept a further cut.

A special panel was set up to adjudicate, and just before the latest talks it came out on the consumers' side. But producer countries, some of whom depend on cocoa for up to 40 per cent of their foreign earnings, are still unwilling to cut the support price, even though world prices have collapsed.

On Friday night cocoa prices in both London and New York closed at the lowest levels since early 1976. The latest ICCO indicator price stands at only SDR 971.60 a tonne.

Apart from the price row, delegates were unable to agree on any action over the rising amount of arrears in levies owed to the buffer stock. Producers should pay a $30 a tonne levy on every tonne of cocoa exported, but the Ivory Coast, the world's biggest exporter, owes $48m and most other producers have now stopped paying.

Peruvian economic adviser resigns

A KEY architect of Peruvian President Alan Garcia's unorthodox economic policies resigned amid mounting calls for his ouster, Reuter reports.

Argentine economist Mr Daniel Carbonetto's resignation letter to Mr Garcia, dated last Thursday, was published by the state Andina news agency on Friday night.

"My participation, in the good and the bad, in the successes and mistakes in the period between 1985 and 1988, inhibits my positive contribution in the co-ordination of the political forces and agents of production," Mr Carbonetto said in the letter.

Mr Carbonetto served as an economic adviser to Mr Garcia. His resignation followed drastic new anti-inflation measures 10 days ago that doubled the prices of most foods and increased the cost of petrol by nearly 400 per cent.

Conservative politicians had called for Mr Carbonetto to resign and for Peru to open negotiations to restore its borrowing privileges at the International Monetary Fund.

Brazilian package set for signing

SIGNING IS due to start on Thursday of a bank finance package for Brazil, Stephen Fidler writes.

Mr William Rhodes, chairman of the 16-bank advisory committee for Brazil, said the package, which includes $5.2bn in new loans and a rescheduling over 20 years of $62bn of existing debt, was on schedule for the first disbursement to take place as planned next month. Brazil also made a $64m payment, bringing it current on interest up until September 9.

Weather junkies stalk the wind

By Roderick Oram in Texas

WHERE Texas Route Four dived beneath stormy Atlantic waters, an exuberant group of rain-sodden, wind-blasted people revelled in the elemental power of Hurricane Gilbert late on Friday afternoon.

"Pffffst," went the Budweiser can. "Hell, we ain't leavin' 'til we're outa beer!" declared its drinker. A local man, he and a truckload of friends had driven out 20 miles from Brownsville to check some cattle one of them owned. Lucky cows, they stood on dry land a few miles back down the road. Their owner was up to his ankles in the Atlantic.

The pounding ocean proper was three miles ahead but the storm had flooded the intervening land. Only a knob of high ground, a Polish community called Kopernick Shore, remained out there.

"Hurricanes are the only thing on this planet I respect apart from my family and a few friends," said David Deluna, another local who had eagerly tracked Gilbert's seven-day path across the Caribbean and Gulf.

A sucker for maelstroms, he thought he might try the actor's life in New York next.

Standing skinny in a swimsuit knee deep in brown water and leaning backwards into the 65mph wind, Ryan Tilley shouted from the wave tops about his true love: "I'd like nothing better than to be in Oklahoma and catch an F-5 tornado!"

A hurricane junkie, he and two fellow meteorologists, Betsy Abrams and Matt Crowther, had raced down from Atlanta to rendezvous with Gilbert. Bob Wright, a tree surgeon from Biloxi, Mississippi, had thrown a suitcase and chain saw in the back of his pickup truck and driven 800 miles through the night looking for work.

Gilbert, however, gave its ad hoc Texas reception committee the slip, pounding instead a swathe of Mexico some 100 miles south of Brownsville. Though appalled by the death and destruction it had wreaked all week long, the hurricane chasers said they were drawn by its awesome power. They were not disappointed by the wind and rain even at that distance.

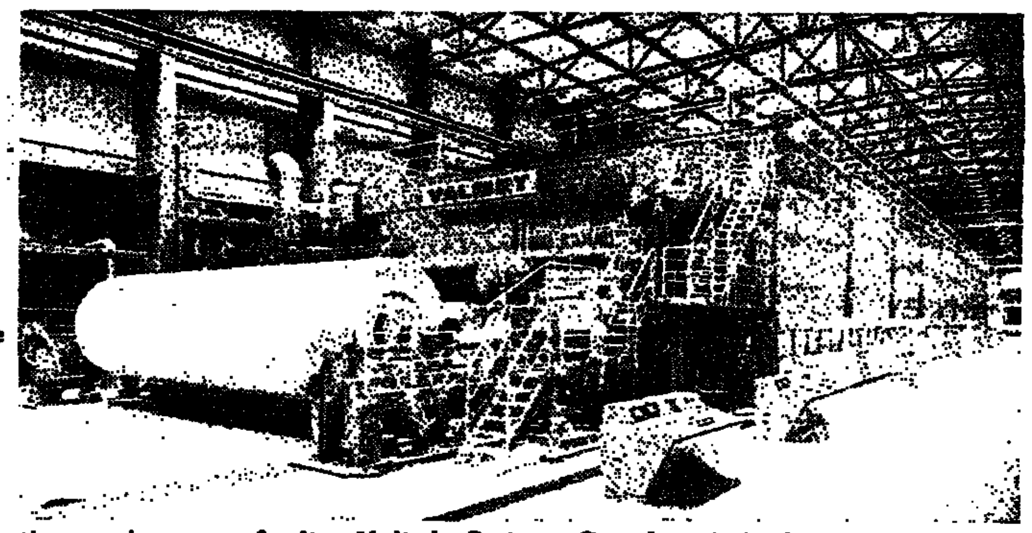
The meteorologists admitted they had been hooked on violent weather since their childhoods. Frolicking with the others where the water claimed the road, they unabashedly acted out an instinctive phenomenon known to farmers, teachers and rescue workers. When the winds howl, animals frisk, children fidget and adults party.

Valmet Group:

High flyer rooted firmly in machinery and automation

By Victor Thorne, Helsinki

One of the world leaders in the manufacture of pulp and paper machinery, global number one in niche market items like straddle carriers, Finland's Valmet Group has achieved renown for its practice of the art of synergy between largely independent subsidiaries – and profiting from the results.



Valmet companies are involved in making a variety of sophisticated technological products from air trainers to instrumentation, and from tractors and transportation equipment to automation, loggers and forest harvesters.

Valmet's flagship industry is the production of highly advanced machinery for the pulp and paper manufacturing sector. This accounts for as much as 45-50% of its turnover, which is reason enough to commit extensive financial and human resources into research and development aimed at staying ahead of the field.

Industrial vehicles, including transportation equipment, road tractor units and agricultural and forestry vehicles, constitutes Valmet's second largest sector, and growing, with some 35% of turnover.

The group's more specialist activities include the assembly of and manufacture of components for Saab cars, 85% of which are exported from Finland through Saab-Scania. It is also involved in custom-made marine construction through the group's 30% holding in renowned shipbuilder Wärtsilä.

Another lofty specialist activity is the design and building of aircraft of the likes of the Redigo trainer for the Finnish Air Force, along with the assembly of British Aerospace Hawk jet trainers and the Draken fighter for the nation's defence.

Between Valmet's major business sectors, and linking them, is the automation factor.

The expansion of the group's automation side, which resulted in the formation of a separate Valmet Automation subsidiary on 1st September, was originally as an adjunct to its pulp and paper machinery manufacturing activities, with a healthy overspill into the realms of energy generation, chemicals processing and marine automation.

As this sector developed its technology and gained valuable experience in applying it, forging undeniable skills in marrying electronics and mechanical engineering at the earliest stages of manufacture, so did its mechatronics know-how find wider applications – in-house and elsewhere.

Today, automation is regarded within Valmet as an area of growth potential, particularly in the pulp and paper processing sector of the business.

Customer service is the keyword

Across the board, however, the company's harnessing of the fruits of its R&D in automation to practical use opens up a vast area of attractive prospects.

Valmet is finding that the end-users of its products and systems are becoming more and more concerned with the supplier's service capability. Armed with its applied electronics, Valmet is in a position to monitor machine performance in operation, around the clock, and to offer customers specialist on-site repair and servicing facilities.

This is already seen as a growth area in the Nordic countries – with demand spreading into continental Europe as Valmet develops its servicing network and skills.

So much is automation seen as the key to opening up new vistas that the group is actively on the look-out for opportunities to invest in acquisitions or joint ventures that will help spread the load of the high cost of R&D expenditure required to stay in the forefront of technology by swelling the volume of output.

Says Valmet's President and CEO, Matti Kankaanpää: "A combination of forces in the field of automation could be very important for our future. It could be a Finnish company or any other with an approach that's compatible with ours.

"In this respect, we've been very active in North America, where we have made some good acquisitions. But automation is another sector in which we have to turn our interest increasingly to Western Europe."

While its operating units are spread as far afield as Brazil and the United States, Canada and Japan, Australia and Hong Kong, Tanzania and throughout the Nordic countries, Valmet is by no means a stranger to continental Europe.

The group operates production plants and marketing units in Britain, Italy, France, West Germany, the Netherlands and Austria, and the plans are for deeper penetration of the EC markets.

1992 will not find Valmet unprepared

"We began our process of internationalisation in the Nordic countries," Kankaanpää relates. "Our next step took us into North America, led by the type of products we make and the big market potential there. But the emphasis now must be on the European Community market.

"We're building an EC strategy right now, with 1992 firmly in mind. We see Valmet as becoming more and more integrated with continental Europe on the industrial side – including an increase in our manufacturing capacity within the Twelve."

Valmet's approach is to build up its operations internationally through acquisition, where sensible, joint ventures and other forms of strategic alliances.

"We already have a few arrangements of this kind," Kankaanpää points out. "But when we think ahead to European integration, we'll definitely be seeing an increasing number of different types of co-operative ventures.

"The company structure has been formulated with this factor in mind."

A 99.7% state-owned concern until this year, an issue of shares in August increased Valmet's capitalisation by almost $33 million and reduced the Finnish government's holding to 79.77%. The trend is for an even greater measure of private ownership, step by step to 60% and possibly less, with the state's blessing.

The Finnish government has realised that the significant expansion and development plans of state-owned companies like Valmet founder on their dependence on budgetary funding. Given such limitations, Finland's Valmets find themselves at a disadvantage in terms of capitalisation in relation to the private sector.

For the Valmet Group, raising finance from its own resources, with the advantage of basing its funding on the value of the group, is the opening it has been waiting for to move forward according to plan. And considering its ambitions for further internationalisation, a move into the foreign capital market would be the logical next step.

Matti Kankaanpää comments: "One thing is sure: that by 1992 we'll have seen some interesting developments in the company's internationalisation, as well as in Valmet's ownership structure."

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Burma's revolution at a turning point

Roger Matthews on the implications of the military takeover in Rangoon

THE seizure of power in Burma yesterday by Gen Saw Maung, the Defence Minister and Army chief of staff, marks the end of the first and probably most peaceful phase of the country's revolution.

The Government of the Burma Socialist Programme party, which has ruled the country for the past 26 years, had already collapsed. It had lost control over events outside the capital Rangoon. Most cities, including Mandalay, which is the second largest, are being run by ad hoc committees comprised mainly of Buddhist monks and students.

In Rangoon the situation is little better. The police force has disintegrated, most civil servants have been on strike for over a month, the banks have shut indefinitely and a crisis point is approaching for supplies of rice, drinking water and petrol.

But as has been seen in three other revolutions in the past 15 years – Portugal, Iran and the Philippines – the manner and timing of a regime's departure has a vital bearing on what follows. The longer a regime clings to power, the greater the radicalisation of the opposing forces and the higher the risk of enduring divisions emerging among the armed forces.

Burma reached that turning point yesterday. So far as can be assessed, the revolution at this moment appears to be a genuinely popular uprising. It has also been a revolution with limited bloodshed. Apart from isolated incidents, the demonstrators have pressed their point through numbers, not by force. Although the military may have killed upwards of a 1,000 people, especially during early August, they are not yet perceived as a bloody instrument of repression.

If Gen Ne Win had agreed yesterday to leave Burma and take with him 60-70 of his closest political associates, most western diplomats in Rangoon believed there would have been a fair chance of a peaceful transition to an interim government which would initially enjoy considerable popular support. The problems, economically and politically, for that government would be massive but at least it should have been able to enjoy an euphoric public mood.

At opposing poles of popularity: Aung San Suu Kyi, left, and Burma's former leader Gen Ne Win

However, Gen Ne Win, who has ruled supreme for 26 years, is finding, like the Shah of Iran and President Ferdinand Marcos of the Philippines, that acceptance of defeat is not something of which he has any experience and is therefore close to being incomprehensible. "He has retreated, step by step. He has made concessions. He has made tactical withdrawals. But he has not yet faced up to the fact that he has lost," a diplomat said yesterday. "All that is preventing him from being finally toppled is the army. He must know that and the demonstrators assuredly do."

It is that unpredictable and highly dangerous confrontation that the opposition leaders so far thrown up by the revolution are trying so desperately to avoid. Throughout last week they tried to open lines of communication with Gen Ne Win to negotiate a formal handover of power. However, the regime continued to equivocate, suggesting ultimately a power-sharing agreement whereby its own nominee would form part of a provisional government.

The concessions offered by Gen Ne Win may have been no more than a political ploy designed to identify more precisely the key opposition leaders. The four most prominent, who may now be dangerously exposed, are:

- U Nu, the last elected prime minister of Burma, who jumped the gun 10 days ago by unilaterally announcing he had formed a provisional government and was "joyfully taking back the power that Ne Win robbed me of in 1962." Within a few days he was forced to recant.
- Former Brig Gen Aung Gyi, whose open letters criticising the regime earlier this year were one of the revolution's catalysts.
- Aung San Suu Kyi, the wife of an Oxford academic, who owes her prominence to the fact that her father was the hero of the Burmese fight for independence from the British. She is said to have close rapport with many student leaders.
- Gen Tinu, former chief of staff, who was sacked and then imprisoned in 1976 for involvement in an attempted coup against Gen Ne Win. His current popularity equals that of Aung San Suu Kyi.

These four have been seen as "moderates", with varying degress of personal political ambition, who have articulated and provided a focus for the demands of the masses.

While they have been urging restraint, the more radical students and Buddhist monks have been arguing for some days in favour of a showdown with the military as the only sure way of removing Gen Ne Win. They propose marching on the parliament building, the radio and television stations and daring the troops to open fire. Ordinary soldiers, they believe, will not shoot their friends and family.

But if that assessment is wrong it could be calamitous for Burma, ushering in violence and violent men as the main arbiters of political change. The announcement by Gen Saw Maung last night that he intended to impose law and order may put it to the test more quickly than most people expected.

Kim packs a nation's passion in his punch

TYEYEN-OIDOV Tserennyam is an Olympic flyweight boxer from Mongolia who last night was regretting two extremely painful errors.

His first mistake was to leave Mongolia and journey to Seoul, where the 1988 Olympic Games opened at the weekend under clear blue skies and amid passionate pleas for everlasting friendship between East and West.

The Mongolian flyweight's second error occurred just before noon yesterday when he climbed into the ring for a preliminary bout against one of the host country's most illustrious gold medal hopes – a ferocious fighting man named Kwang Sun Kim.

Kim may be a flyweight but he has the strength, when roused, to knock his way through concrete, and epitomises the fanatical dedication for which the South Koreans are feared. The host country has toiled for seven years preparing for these Games, and as immediate repayment is hoping for a decent haul of medals – preferably gold, though silver will also do.

The Koreans are also hoping that the Games come to be seen as the "Peace Games", ending 20 years of misery for the Olympics, and that they help nudge South Korea onto the threshold of the developed world.

Little of this, I fear, had been communicated to the Mongolian, who looked innocently unconcerned as Kim, in striped blue trunks and vest and wearing a red headguard, climbed into the ring after him.

In the first round, the Mongolian had the temerity to move in with a jab that grazed Kim's cheek. The retaliation was instantaneous and awful to behold. The Mongolian took a beating.

It was worse in the second round. Kim raised his tempo and clubbed with both hands. Appalling blows fell, and the referee stopped the contest following two standing counts.

To tumultuous applause, Kim bowed to the referee, bowed to his opponent's corner, acknowledged his dazed rival, and stepped calmly from the ring. On his way to the exit he passed five feet in front of me. Despite the ferocity of the assault, he wore not the slightest sheen of sweat. His eyes shone like ice. He was a man on a mission. How the crowd cheered.

Four years ago, at the Los Angeles Olympics, which were affected by an Eastern bloc boycott, the Koreans won 19 medals, including six golds. But these Games are different. Almost all the world is here, and the competition for medals in 23 official sports will prove frightening in its intensity.

As a result, the Korean Olympic team has been trained with an enthusiasm bordering on mania, and with a dedication to military-style routines and extraordinary physical and mental fitness that is exceeded in its thoroughness – if it is exceeded at all – only in the highest echelons of Eastern bloc sport.

At the Koreans' Taenung training centre on the outskirts of Seoul, the pre-Games training started at dawn and lasted until 10 pm. According to a slogan at Taenung: "The way to the top is the way of hardship and difficulty. At the same time, it is the way to glory. It is the way of falling down seven times and rising up eight times. It is also the proudest way to victory."

MICHAEL THOMPSON-NOEL IN SEOUL

Ball games were even banned in Korea in 1942

One of the things that drives the Koreans, apart from natural pugnacity, is their wish to make up for lost time. It was not until the 1932 Olympics in Los Angeles that Koreans started to participate in international sport.

Three Koreans competed in the Los Angeles Olympics in 1932, and three more in the Berlin Games in 1936 – carrying off the gold and bronze medal in the Berlin marathon. But they were obliged by their then masters to compete as members of the Japanese team, which is why the record book shows the Berlin marathon being won by a Japanese athlete and not by a Korean.

In 1942 the Japanese even banned ball games in Korea, on which note Korean sport entered a lengthy period of stagnation. Having won a gold medal in Berlin in 1936, Korea was not to repeat the feat under its own flag for another 40 years, when a Korean wrestler won the featherweight gold in Montreal.

Today, Korea's most popular modern spectator and participant sports are soccer, baseball, volleyball and table tennis. But in Olympic terms it is an especially feared foe at boxing, weightlifting and judo. These three sports yielded them 15 of their 19 medals in Los Angeles four years ago.

The Koreans are also an emerging force in hockey. Yesterday, after the boxing, I travelled to Songnam Stadium, where the Korean hockey team pulled off the not inconsiderable feat of drawing 2-2 with Britain, who are – or were – tipped for a hockey medal.

Britain looked strong, fit and well-drilled, as well they might, but the Koreans repeatedly surprised them with aggressive stickwork and brilliant power bursts.

After the game, while British reporters clustered round the British team, hoping for quotes, I clustered round the Korean team. It was extremely hard work. Though I gathered that the Koreans were pleased with their performance.

We did a remarkable amount of bowing. We bowed to the coach. We bowed to the trainer. We bowed to the man with the towels and cold water. We bowed to numerous Korean dignitaries, I think we said a prayer. And I am reasonably convinced that we agreed that although we had played with bravery and great skill, humility was still in order.

Finally, we shook hands manfully and assured one another that if we fell down seven times we would surely rise up eight times, for in doing so we would discover the true path to victory and glory.

Caution in Asia on Gorbachev's proposals

BROAD PROPOSALS for improving peace and security in the Asia-Pacific region by Mr Mikhail Gorbachev, the Soviet leader, have been greeted with silence in Europe, hostility in the US but cautious welcome in Asia.

The best response for Mr Gorbachev was from China. Li Peng, the Chinese Premier, said the first Sino-Soviet summit since 1960 could be held, provided lower-level discussions on subjects such as the Kampuchean conflict cleared the way without difficulty.

Mr Li said improved relations with Moscow were in the interests of China and world peace and would not threaten China's ties with Japan and the West. "We would like very much to normalise our relations with the Soviet Union."

In Washington the State Department said: "There does not seem to be anything new in any of these proposals."

Stewart Fleming in Washington and Robin Pauley in London assess reaction to Moscow's initiative

Mr Marlin Fitzwater, the White House spokesman, rejected Mr Gorbachev's offer to turn a controversial Siberian radar facility, which the US says is a violation of the 1972 Anti Ballistic Missile Treaty, into an international centre for the peaceful study of space. "To turn it into a space station or a drive-in movie theatre or anything else simply does not respond to the need to dismantle what is a violation of the treaty," he said.

Similarly, the idea that the Soviets would pull out of the naval base at Cam Ranh Bay in Vietnam if the US scraps its bases in the Philippines was scorned by Mr Fitzwater. "At first glance it doesn't appear to be a reasonable approach and I would say that we're somewhat pessimistic about it," he said, adding that it would be studied further.

However, the US is having trouble negotiating terms for its Philippines bases and one Washington analyst said Mr Gorbachev's offer would serve as a reminder that "everywhere we leave a void they try to move in. Our relations with the Philippines are pivotal to our Asian policy. They would like to neutralise the Philippines."

President Corazon Aquino of the Philippines said the Soviet offer on the bases was a question only the two superpowers could resolve. But others in the country were more forthcoming. Senator Leticia Shahani, chairman of the Senate Foreign Relations Committee, said the proposal was a step towards reducing foreign military presence in the region. "There is a movement. We must see how that will affect the security in the Asia-Pacific region," she said. A Manila newspaper published by Mrs Aquino's speechwriter said that while the idea might simply be a ploy to embarrass the US "the opportunity for reducing superpower tension in Asia-Pacific on a far wider scale and greater magnitude has nonetheless been created."

Japan rejected Mr Gorbachev's claim that it was increasing its military potential at the behest of the US. "We regret that Soviet understanding of Japan's defence capability and defence policy is not sufficient," said a Foreign Ministry official. However, Mr Noboru Takeshita, the Japanese Prime Minister, said he welcomed Mr Gorbachev's desire to improve ties with Japan.

Vietnam said Mr Gorbachev's plan was a new Soviet contribution to the cause of peace in the Asia-Pacific region.

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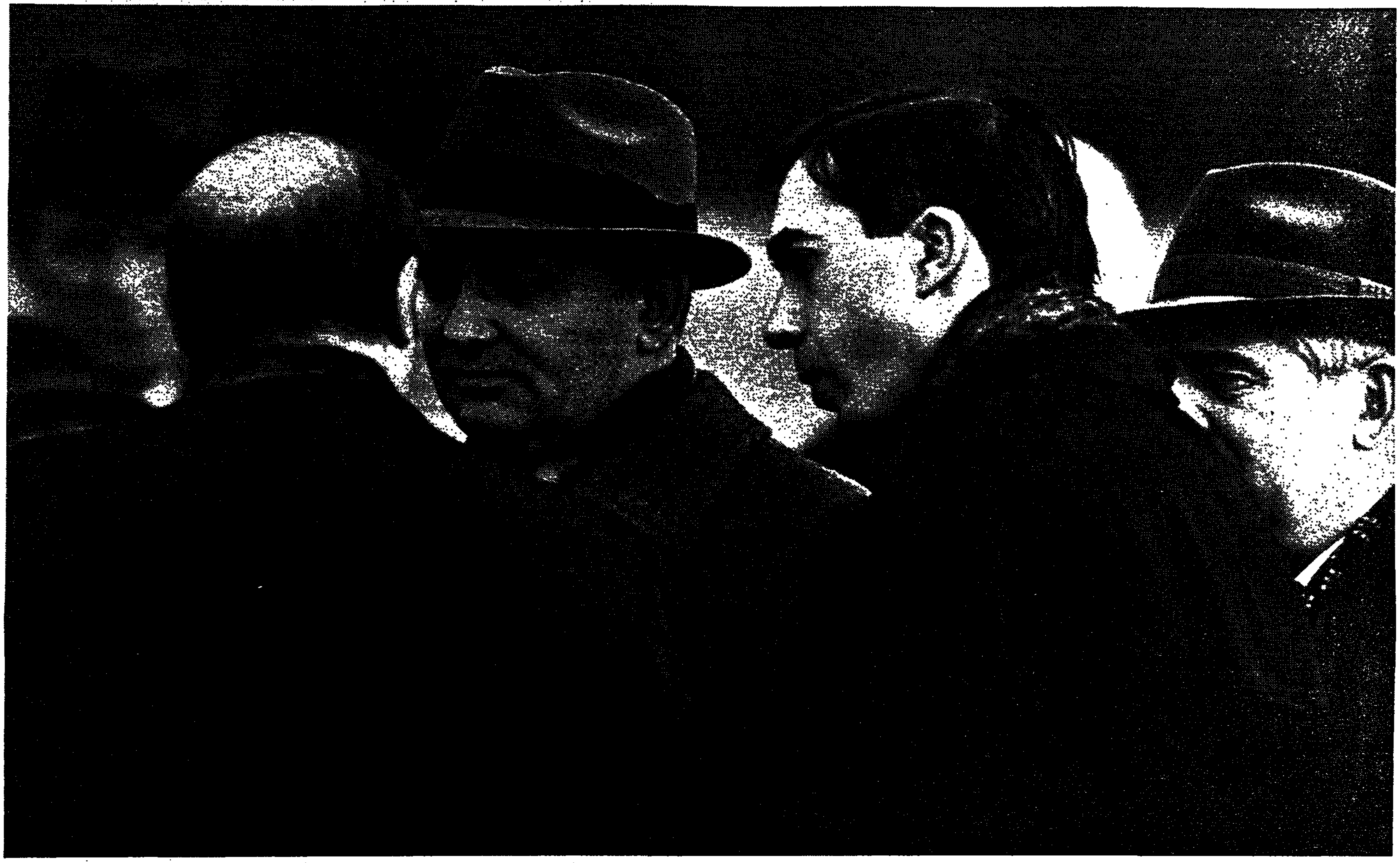

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OVERSEAS NEWS

The evasive goal of company tax harmony

Differing rates would be exaggerated by a free market, writes Richard Waters

THE *European Commission* is making little headway on a tax initiative which is assuming increasing importance as Europe's free internal market draws near: the attempt to smooth away differences between taxes on *companies in different* member states.

The importance of bringing VAT rates into line is insignificant by comparison. Differing VAT rates do little to distort economic competition. Unlike corporation tax, VAT is applied in the country of sale, not the country of production. This means that there are no advantages for companies basing themselves in low-VAT areas: the tax is borne by the final consumers at the rate in force in their own country.

The main distortion caused by *differing VAT rates is the* encouragement they give shoppers to cross borders. A Dutchman travelling to Luxembourg to buy his groceries, for instance, saves 8 per cent on the standard rate of VAT. But such distortions occur only in frontier zones where substantial tax differences exist. Would a German make the same trip into Luxembourg for a tax saving of 2 per cent?

Differing corporation tax *systems and rates, on the other* hand, drastically alter economic life by affecting the location of *business activity* and the *flow* of capital.

The free internal market will exaggerate this. At the moment a company based in one European country which distributes and sells its products in another is likely to establish a base in the country of sale. A proportion of its profits will then be taxed in that country. A free market reduces the need for such outposts: in *theory, it will be easier for a* company to sell across the continent from a centralised marketing and distribution point. The country of sale then gets none of the tax benefit. Also, the location of the central marketing team is likely to depend *in part on tax rates.*

Earlier this year the Commission embarked on its first concerted effort at standardising taxes on companies. It produced, for limited circulation, a preliminary draft proposal for a directive which would harmonise the way all European companies calculated their taxable profits.

1992 THE EUROPEAN MARKET

The Commission's previous efforts at harmonising corporation tax, dating back to 1969, have been piecemeal. Proposed directives have picked out particular issues, such as the tax treatment of mergers, without presenting any coherent strategy for tackling tax systems as a whole. Only one, on mutual assistance between *tax authorities* to stamp out tax evasion, has actually appeared as a directive.

The lastest draft goes much further, and would have a far-reaching impact on the tax bills of all European companies. What is most significant is that assets would have to be depreciated for tax purposes in the same way that they are written down for accounting *reasons.* Accelerated depreciation, to encourage corporate investment, would be outlawed.

The depreciation proposals also provide for companies to write off goodwill against tax over a five-year period. This would have a big impact on acquisitive service companies, which often pay far in excess of book values for control of other companies. Such payments would in effect be tax-deductible.

One big effect of all this would be the outlawing of tax-based subsidies. Schemes such as those in operation in Ireland (to attract manufacturers) and Belgium (to draw in "co-ordination centres", or regional head offices) would disappear.

The proposals already bear the mark of compromise. Cross-border mergers are currently hampered by the capital gains tax charge that arises when two companies unite. The proposals do nothing to alleviate this.

Member states would retain the right to tax assets which move abroad — as the UK enacted in this year's Finance Act. As a concession, the tax would not be payable immediately but could be spread over the life of the asset. Nevertheless, *this makes* a nonsense of the sort of structural changes that economies of scale are *meant to stimulate* in the European market. According to one tax expert: "It would remain financially prohibitive to restructure."

The tax base proposals are already understood to have come under considerable attack. An official at the Commission says they will not be withdrawn, but that they will be substantially amended in the light of comments received from governments and professional bodies. There is no date yet planned for the publication of a revised set of proposals.

The tax-base is only part of the story. *Bringing* tax rates into line presents far greater difficulties. If the European Commission is unable to persuade member states to adopt two bands of VAT for different classes of goods, what chance is there of a standard rate of corporation tax? The Commission has proposed in the past *that tax rates should be* between 45 and 55 per cent. This now looks out of date: tax rates across the continent have either fallen already or are set to fall (see table).

Corporation tax rates in EC member states

Country	Normal rate (%)
Belgium	43
Denmark	50
France	42
Germany	56*
Greece	46
Ireland	47
Italy	36†
Luxembourg	35
Netherlands	42
Portugal	30-35§
Spain	35
UK	35

* Reduced to 36% on distributed profits
† Plus a tax-deductible 16.2% local income tax, giving an overall tax rate of 46.368%
§ Plus progressive tax of 6-12%
Source: Ernst & Whinney Fiscalité, France; Financial Times

The Commission is unlikely to be able to act on any of these issues until there is agreement among taxpayers that change is needed. That does not yet, and may never, exist. Companies are only too aware of what they have to lose: UK and Irish taxpayers, for instance, are unlikely to want a harmonised capital gains tax system which would abolish indexation relief on gains — something unique in the EC.

To an extent, the Commission can afford to sit back and wait. Competition between countries will force their tax regimes more into line, as the Netherlands and Germany are aware: both plan lower corporate taxes, and cite competition with other states as one of the reasons. Most countries already fall within a band of 35-45 per cent.

The Commission can also *console itself* with the thought that tax considerations are not usually at the top of the list of priorities when companies make commercial decisions. The restructuring of European industry which is currently being projected is not tax-driven — though some companies may be held back by prohibitive tax rules.

The corporation tax debate foreshadows an even bigger battle: the attempt to bring personal taxes into line. For the *people-intensive* parts of companies, as well *as* for the people themselves, these can be vital. Most *companies* make sure that employees working abroad receive the same after-tax pay as at home, and so themselves meet the extra cost in a high-tax country. Some US banks reckoned *that before tax* cuts in the UK this year it cost three times as much to employ one of their executives in London as it did in the US.

Bonn ministry agrees Airbus funding revision

By David Marsh in Bonn

THE WEST German Finance Ministry has agreed the basic outline of a plan to restructure Bonn's funding of the Airbus project. The package aims to cushion West Germany's aerospace industry against present and potential losses from dollar weakness.

Details have not been settled but the preliminary accord brings a step nearer to fruition the long-running talks about Daimler-Benz, the motor and engineering conglomerate, taking management control of Messerschmitt-Bölkow-Blohm (MBB), the country's main aerospace group.

The acquisition of a 30 per cent stake in MBB could take effect in the new year.

Following talks last Wednesday between Mr Gerhard Stoltenberg, West German Finance Minister, and Mr Edzard Reuter, chairman of Daimler-Benz, *officials hope details can be* cleared up by mid-October.

This would allow the extra Airbus funding proposals to be included in parliamentary deliberations on the 1989 budget, due to take place in November and December.

The exact cost of the support package will depend on the outcome of further bargaining between Daimler and the Government, as well as on future fluctuations of the dollar, the currency of international airliner deals.

Overall, however, the prospective deal is likely to provide for exchange rate guarantees and other payments which could raise Bonn's budgetary support for the Airbus venture by an extra amount of up to DM4bn or DM5bn over the next decade.

*This is in addition to the lat*est government package of DM4.9bn in grants for Airbus, agreed by Bonn in June last year, including development funds for the new A-330 and A-340 airliners.

MBB is the German partner in the four-country Airbus Industrie consortium, holding 37.9 per cent through its wholly-owned subsidiary Deutsche Airbus. The other partners are France, Britain and Spain.

The basic financing plan foresees the following elements:

- The Government will pay an extra DM1.7bn to cover outstanding financial burdens connected with funding the older A-300, A-310 and A-320 airliners. This will help cover losses caused by the falling dollar on existing orders of these airliners, including deliveries to be made until the mid-1990s. Government funding for these three Airbus airliner types has been based on an assumption of a dollar rate of DM2. The dollar having lately fluctuated near *DM1.85*, recent airliner sales receipts have produced a large D-Mark shortfall.
- The Government will undertake to take over part of potential exchange rate losses stemming from future Airbus sales running into the 1990s, includ*ing those of the new A-330 and* A-340 types. Development finance for these new aircraft was approved last year on the basis of an exchange rate of DM1.8.

The proportion of exchange rate risks to be assumed by the Government has not yet been agreed. Bonn is asking Daimler to take over all of any losses below a cut-off point of DM1.7 but Daimler is insisting that the cut-off should be DM1.6.

- The Bonn government will take a 20 per cent stake in the new holding company which will own Daimler-MBB's 37.9 per cent share in Airbus Industrie. The government's stake will be taken by Kreditanstalt für Wiederaufbau (KfW), the public sector finance agency. Mr Stoltenberg wants Daimler to undertake to buy back the *20 per cent KfW stake by 1995* or 1996 — a condition which Mr Reuter has not yet agreed.

The financing package, linked with the Daimler-MBB takover, is bound to spark domestic controversy because the deal will produce a conglomerate apt to dominate most areas of the West German aerospace and defence technology industry.

EC card rules decision today

By William Dawkins in Brussels

EUROPEAN Commission advisers are due to decide today whether to recommend shelving draft plans for common standards for the protection of the EC's 80m credit card holders. The plans have been fiercely criticised by banking lobbyists.

They will attempt to heal divisions within the EC executive to pave the way for a meeting of the 17 Commissioners on Wednesday to decide Brussels' line on cardholder rights.

At stake is a draft directive, subject *to* member states' approval, that would oblige card issuers to take full liability for losses when cards are lost or stolen through no fault of their owners.

If adopted it would run into opposition from the UK, the Netherlands and possibly France, which feel this is no matter for legislation. Denmark is the only EC member with specific laws on plastic card holders' rights.

The plan aims to iron out wide national differences in the amount of protection given to cardholders against unauthorised use of their accounts. This varies from the extensive liabilities assumed by UK card issuers at one extreme, to Belgium at the other, where some card companies insist on taking out guarantees on customers' personal property.

The plan's supporters argue that the measure will work only if made binding in the form of a directive, which has to be transformed into member states' national law; itself a step down from an earlier attempt to launch the scheme as a regulation. That would have been an even tougher option, because it would have taken direct legal effect if agreed by member states.

But a strong body of opinion in the Commission wants to present the plan as a mere recommendation, which has no legal force, on the grounds that anything stronger would get nowhere. The options for the meeting on Wednesday are for the draft directive to be watered down, turned into a recommendation, or shelved.

The Banking Federation of *the EC has lobbied hard* against such binding rules on the grounds that they would stifle innovation in a payment systems industry that is undergoing fast technological change. A code of conduct recommendation would be more adaptable to new products and practices, it argues.

The draft scheme proposes customers should not be liable for losses so long as they take reasonable steps to look after their cards.

WORLD ECONOMIC INDICATORS

UNEMPLOYMENT

	Aug.'88	July '88	June '88	Aug.'87
US 000's	6,851.0	6,625.0	6,455.0	7,256.0
%	5.60	5.40	5.30	6.00
UK 000's	2,291.2	2,326.7	2,340.8	2,865.8
%	8.10	8.20	8.30	10.20
W.Germany	2,254.0	2,267.0	2,272.0	2,245.0
%	8.80	8.90	8.90	8.90

	July '88	June '88	May '88	July '87
Japan 000's	1,550.0	1,450.0	1,540.0	1,670.0
%	2.50	2.40	2.50	2.74
Belgium 000's	401.2	385.7	395.1	438.0
%	11.30	10.10	10.20	12.20

	June '88	May '88	Apr.'88	June '87
France 000's	2,400.5	2,432.2	2,478.1	2,458.7
%	10.20	10.40	10.60	10.50
Netherlands 000's	673.91	647.41	663.91	657.91
%	11.70	11.24	11.53	11.42
Italy 000's	3,762.0	3,638.0	3,624.0	3,213.0
%	16.20	15.70	15.60	13.80

Source: (except US, UK, Japan) Eurostat

UK NEWS

Reed, Elsevier came close to merger earlier in year

By David Waller in London and Laura Raun in Amsterdam

ELSEVIER, the Dutch publishing group which last week announced a strategic link-up with Pearson, came close to merging with Reed International, the British-based publishing concern, in February this year, it emerged yesterday.

Earlier this month, Reed also approached Pearson, the diversified UK company which publishes the Financial Times. However, Pearson yesterday played down the significance of talks which it confirmed had taken place between Lord Blakenham, the Pearson chairman, and Mr Peter Davis, Reed's chief executive.

According to yesterday's statement from Pearson, "the meeting consisted of exploratory general conversations only in which a number of outline possibilities were raised by Mr Davis. No specific proposals, *formal or informal*, were made.

"Accordingly, the board of Pearson has not considered any proposal from Reed, and furthermore, has never considered or sought a defensive merger. The Board has been and remains fully committed to maintaining Pearson's independence and considers that Pearson's prospects continue to be excellent."

Pearson said it had issued its statement in response to press comment that it had rejected an approach from Reed.

Mr Davis said he was surprised by the defensive tone of Pearson's statement, adding: "I'm more surprised that my friendly approach was apparently not considered by the Pearson Board until the deal with Elsevier was done.

"We have never concealed our interest in Pearson. We think that an association with Pearson would make good commercial sense and create an unbeatable, world-class publishing group."

Earlier Pearson had confirmed that Mr Davis had met Lord Blakenham at Reed's request.

Mr Davis said that his first meeting with *Lord Blakenham* had taken place on September 2. A week later he had phoned the Pearson *chairman* seeking a response to his proposals.

He said Lord Blakenham had arranged a second meeting for the afternoon of Wednesday, September 14. On that day, Pearson announced details of the link-up with Elsevier involving an exchange of shares and the possibility of an eventual merger.

Negotiations between Reed and Elsevier, dating back to the summer of 1987, nearly culminated in a merger in February this year. Mr Davis said that the transaction was abandoned at the last minute at the UK company's initiative, because Reed was not satisfied that it could exercise sufficient control over Elsevier.

"Our board was not prepared to have an engagement before agreeing the marriage terms," he said. He refused to give any details on how the deal was to have been structured.

Mr Pierre Vinken, chairman of Elsevier, stressed yesterday that Pearson had always been his first choice as a merger partner and that he had tried for years to interest the UK group in joint activities.

He confirmed that Elsevier and Reed nearly merged in February but "one of the partners did not show up at the altar."

Mr Vinken said Pearson was fully-informed of the near-marriage with Reed.

Brittan breaks mould with choice of EC aide

By Tim Dickson in Brussels

MR LEON Brittan, the former UK Trade and Industry Secretary who takes over from Lord Cockfield as Britain's senior Commissioner in Brussels next January, has controversially ignored Government advice in choosing his senior adviser.

Like previous Commissioners-in-waiting Mr Brittan was furnished by the Foreign and Commonwealth Office and the Cabinet Office with a list of those considered as suitable candidates for the post of *chef de cabinet* – a key appointment in Brussels.

EC Commissioners are served both by the Directorates-General – effectively civil servant departments for which they are responsible – and by their own generally seven-strong private offices called cabinets. The head of this team, which tees up all the important decisions taken by the Commission at their weekly meetings, can be highly influential and needs tough negotiating skills and detailed mastery of the range of EC social, economic and agricultural policies.

The unofficial Foreign Office 'list' of names, as UK diplomats were keen to stress over the weekend, is intended only to assist in the search for the right individual but there is now a well established, if informal, tradition dating back to the early 1970s that the senior British Commissioner takes a Foreign office man.

Brittan has instead opted to appoint Mr James Currie, a 46-year-old Scot who is one of three directors in charge of regional development policy at the European Commission. Seconded from the Scottish Office to the UK permanent representation in Brussels to prepare for the last British presidency of the EC, Mr Currie moved to his present job a couple of years ago and has quickly built up a reputation as one of the rising stars of the Brussels bureaucracy.

His main achievement has been to help develop a more decentralised approach to the management and monitoring of the EC's vast network of regional fund projects.

His elevation to the post of *chef de cabinet* to Mr Brittan is likely to be widely welcomed on all sides in Brussels, but it is understood that senior Foreign Office diplomats in London are privately irritated that their leading candidates have not been picked. There is some consolation, however, in the fact that Mr Antony Carey, who has been appointed Mr Brittan's deputy chef, is a Foreign Office man.

SDP members vote to temper market policies

By Peter Riddell

THE FIRST conference of the independent Social Democratic Party, the centrist party led by Dr David Owen, yesterday applied a brake to the leadership's wholehearted support for a market economy and competition in the provision of economic and social services.

The four-day conference in the south coast resort of Torquay is intended to mark the rebuilding of the party after the split earlier this year within the old SDP. This left Dr Owen and his supporters adrift from those of the SDP who went on to merge with the Liberal Party to form the Social and Liberal Democrats under Mr Paddy Ashdown.

The policy-making council of the SDP overwhelmingly endorsed the general principle of the social market economy and greater competition. But the council defeated the leadership in a series of policy and organisational votes.

The votes imposed considerable restrictions on the ability of schools to opt out of local authority control, which has been introduced by the present Government. Successful motion also called for limitations on personal credit agreements and opposed coal industry privatisation.

Biggest union backs Kinnock-Hattersley

By Charles Leadbeater, Labour Correspondent

THE Transport and General Workers Union's executive council yesterday unanimously backed Mr Neil Kinnock and Mr Roy Hattersely in their campaign for re-election as leader and deputy leader of the opposition Labour Party. The union's support came despite a walk-out by 17 right-wing executive members.

The walkout was over a dispute about the validity of the election earlier this year of a left-wing executive member. It prompted Mr Ron Todd, the TGWU's general secretary, to accuse a segment of the union of a determined campaign to destabilise its leadership.

The TGWU vote makes Mr Kinnock's re-election as leader virtually certain. It will also make it very difficult for Mr John Prescott, the party's energy spokesman, to unseat Mr Hattersely.

The TGWU has 1.28m members and commands about 8 per cent of the electoral college at Labour Party conference, which will decide the leadership when it meets next month.

The union's move was welcomed by supporters of the incumbent Labour leaders, particularly since it came with a unanimous vote of the union's left wing. The left severely embarrassed Labour earlier this year by refusing to endorse Mr Kinnock's ticket.

The TGWU's position was decided in the afternoon by the executive 22 left wingers, who continued the executive's meeting, after the 17 right wing members had walked out during the morning session.

The walk-out is likely to throw the union's leadership into turmoil by turning bitter disagreements between the right and left into an open conflict.

The issue will be officially taken up by a six-man inquiry, appointed by the executive, into the way the allegations which had provoked the walk-out were raised.

The ostensible reason for the walk out was the executive's decision to uphold the validity of the election in February of Mr Steve Riley, as an executive member for the London region.

Mr Riley, a convenor at Ford's Dagenham assembly plant, defeated Mr Brian Nicholson, the then chairman of the union's executive, who led the centre-right group which had controlled the executive over the previous two-years.

ADVERTISEMENT

AMERICANS – Contd

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CANADIANS

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Hire Purchase, Leasing, etc.

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BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

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BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

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INDUSTRIALS (Miscel.)

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INDUSTRIALS (Miscel.) – Contd

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INSURANCES

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LEISURE

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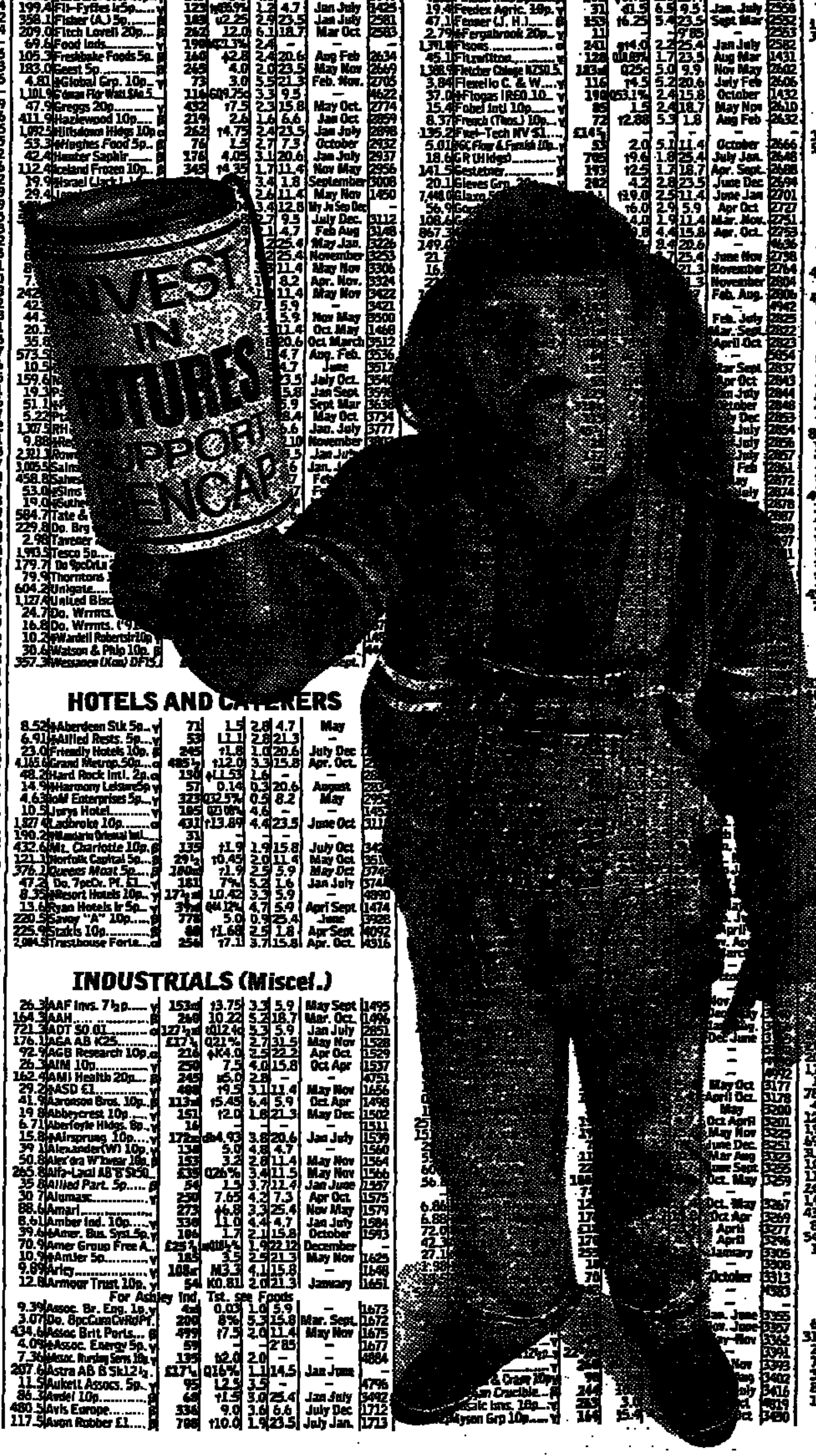


ECGD review will cover privatisation schemes

By Peter Montagnon, World Trade Editor

THE EXPORT Credits Guarantee Department has opened a broad review of its status and operations which could lead to a recommendation to ministers that all or part of it be hived off to the private sector.

The six-month review was commissioned by Mr Malcolm Stephens, ECGD chief executive, with the approval of Lord Young, Trade and Industry Secretary. Staff have been told that it will examine a full range of options, including privatisation.

Although the immediate impulse for the review was the possibility of ECGD being accorded agency status under government plans for beefing up some departments, the study has been broadened to take account of the need for changes in ECGD's organisation in the run-up to the European single market in 1992.

Export insurance specialists believe that 1992, which will open the prospect of an international market for export credit insurance, could provide opportunities for private sector export credit companies. This would be to the detriment of agencies, like ECGD, which remain firmly wedded to the public sector.

The review will be done by Mr Bob Kemp, who retired in the summer as director of ECGD's international group. He will draw on his experience of dealing with ECGD's counterparts abroad as well as talk to exporters, banks and other Whitehall departments.

ECGD declined to comment on the scale of the review, but Mr Kemp's brief is understood to cover options that include splitting ECGD's business into groups with different status, its redesignation as a public corporation and possible collaboration with the private sector.

The main focus, however, is likely to be privatisation, a subject which has been growing in urgency with the advent of 1992, but which remains controversial among exporters worried about the potential loss of government support.

Export insurance specialists say there should be no foregone conclusions about the recommendations from the review, which is being carried out from a purely commercial standpoint without political undertones.

There is also no guarantee at this stage that ministers would accept a recommendation for privatisation.

Mr Alan Clark, the Trade Minister who is an active supporter of ECGD, has said in the past that he would oppose privatising the profitable short-term export insurance business of ECGD if that meant leaving the Government stuck with a rump of loss-making business consisting of guarantees on long-term loans to developing countries. However, the review is considered unlikely to conclude that the ECGD should simply carry on as a department of government without any change in its status.

One option, which is widely thought of as the most viable by private sector export credit insurers, might be to privatise ECGD's Cardiff-based short-term export credit insurance business allowing it and other private sector firms to reinsure a pool of more difficult risk with the Government.

Following a series of improvements in efficiency in recent years, Cardiff is now trading profitably and expanding its business turnover, but further effort is needed to make it ready for privatisation.

Labour rejects poll tax boycott

By James Buxton, Scottish Correspondent

THE LABOUR Party in Scotland has rejected the strategy of leading a mass campaign of non-payment of the community charge (or poll tax) when it comes into effect north of the border next year.

At a special party conference at Govan in Glasgow at the weekend the party's official policy of rejecting nonpayment was endorsed by 512,000 votes to 225,000 – a two-to-one majority in which block votes by moderate trade unions played a crucial role.

However, the vote is unlikely to kill off support for non-payment in the Labour Party, where it is backed by many activists and some trade unionists.

The conference acknowledged this by endorsing a statement recognising that many individuals "may make their own personal stand by not paying it."

About a dozen of Labour's 50 Scottish MPs, including Mr Robin Cook, the party's health spokesman, say they do not intend to pay the tax.

Mr Donald Dewar, the shadow Scottish Secretary, said after the vote that it would make Labour's opposition to the poll tax more effective.

He said: "The aim must now be to make sure the Government pays a high price for the introduction of a truly unjust and unpopular measure."

He argued strongly during the conference that "a party which believes it will soon be in power cannot lightly repudiate obligations under the law. You can't argue for the rule of law when the right people are in charge and have the luxury of picking and choosing when they are not." This is the line laid down by Mr Neil Kinnock, the party's leader.

Mr Brian Wilson, MP, who leads the Stop It campaign, said that non-payment would please the Government because it would cut Labour local authorities' revenue.

The debate, which was often bitter, ended in uproar with the groups favouring non-payment arguing that they had not been given enough opportunity to speak.

The outcome of the conference puts the Labour Party at odds with the Scottish National Party, which last week voted overwhelmingly in favour of leading a non-payment campaign.

The issue could become the focus of the by-election at Govan, caused by the forthcoming appointment of Mr Bruce Millan, the Labour MP, as an EC commissioner. The by-election is due to be held in the next few months at a date yet to be fixed.

Broker says electricity valuation is 'optimistic'

By Maurice Samuelson

THE ELECTRICITY industry could have a market capitalisation figure of only £14bn when privatised compared with the widely assumed figure of about £20bn, says CL-Alexanders Laing & Cruickshank, the City stockbroker.

Describing the widely quoted £20bn figure as extremely optimistic, it says the final outcome will depend on the extent to which the Government lets electricity prices rise to provide sufficient profit to boost the privatisation proceeds.

The forecast, which applies to the whole industry, contrasts with the estimate by Mr Chris Hope, of Cambridge University's engineering department. He considered the generating plant of England and Wales alone would be worth £19bn when sold.

However, other stockbrokers dismiss discussion of such figures as "meaningless" in view of the number of decisions the Government still has to make about the finances of various parts of the industry.

"Nobody can know what the capitalisation will be," said another stockbroking firm which is advising the Government on the electricity sale.

CL-Alexanders Laing & Cruickshank also admits that the actual outcome of the sale could differ significantly from its forecast, depending on the regulatory system, the pricing formulae, the UK stock market and the capital structure of the privatised entities.

The report, by a team headed by Mr Robert Giles, is highly sceptical about the speed at which the privatised electricity industry will construct new power stations.

Having once forecast that the Sizewell B nuclear power station would not be built, CL-Alexanders Laing & Cruickshank now says that it may be the only pressurised water reactor to be constructed, despite plans from the Central Electricity Generating Board for three more.

It also doubts whether the three new coal-fired power stations planned by the CEGB – at Fawley, Hampshire, West Burton, Nottinghamshire, and Kingsnorth, Kent – will be built before the year 2000.

Investment trusts study retail trading plan

By Barry Riley

THE ASSOCIATION of Investment Trust Companies is studying a plan to establish its own retail trading service in investment trust shares, removing the need for investors to deal through stockbrokers.

The revolutionary scheme would take advantage of recent structural changes in the securities industry and use modern computerised systems.

It is envisaged that small investors would be able to buy and sell in amounts up to £1,000 at a time using a simple book entry system.

The shares would be held through a central nominee company, and investors' holdings would be recorded in a passbook, avoiding the need for share certificates.

The scheme would amount to a development of the proven existing arrangements being operated by Barclayshare, the private client stockbroking subsidiary of Barclays Bank.

Mr Philip Chappell, an adviser to the AITC, said the aim was to demystify investment trust share dealing and turn the process into something as simple and familiar as saving with a building society. "The essence is a computer–based passbook," he said.

For a long time the AITC has been concerned at the failure of stockbrokers to promote investment trust shares effectively. Its consumer research has shown that only 18 per cent of first-time investment trust share buyers are advised by stockbrokers. Most obtain their advice from newspapers and magazines.

Investment trusts are banned by company law from promoting their shares individually. However, the planned share dealing service could be used to market trust shares collectively, for instance through links with building societies.

A service will also be offered to independent financial intermediaries who would be able to add their own charges.

Individual investment trusts will need to give their backing to the planned execution-only service if their shares are to be traded.

A limited market-making activity is planned; the trading book will be kept level overall, and positions will be unwound through Stock Exchange market makers.

Details of the scheme, including its costs and charges, have not yet been worked out. Its regulatory status and its qualification for the stamp duty exemption available to recognised market makers will also need to be established. Also the scheme's viability is not yet certain.

However, the AITC has been encouraged by suggestions from the Government, most recently by Mr Norman Lamont, a junior Treasury minister, who said last week that the City should do more to serve the small private investor.

"I'm sure something will come out of it next year," said Mr Chappell.

Autumn poll likely after Tory MP dies

By Peter Riddell, Political Editor

THE GOVERNMENT faces a further political test in a parliamentary by-election, probably in the late autumn, following the death on Saturday of Sir John Biggs-Davison, the Conservative MP for Epping Forest, in Essex.

An MP for 33 years, Sir John had a majority of 21,513 at the June 1987 general election. The runner-up then was Mr Tony Humphris (SDP/Alliance). He has since joined the Social and Liberal Democrats, and leaders of the continuing SDP have not yet decided whether to contest the seat.

Two other by-elections are also in the pipeline – at Richmond in North Yorkshire and Glasgow, Govan, caused by the appointments of Mr Leon Brittan and Mr Bruce Millan respectively as European Commissioners. The dates of the contest will depend on when they leave the Commons, and could be as late as next spring.

Sir John, aged 70, was one of the last of the old school of the independent-minded Tory romantics whose nationalism derived from an original imperialist outlook.

A Roman Catholic, he was, unusually, a strong supporter of the Ulster unionists and a persistent critic of the Anglo-Irish Agreement, against which he voted in the Commons.

Sir John: one of the last of the old school

In the late 1970s he was an opposition front-bench spokesman on Northern Ireland before he had to resign in 1978 after voting against continuation of sanctions against Rhodesia, defying the Conservative whip ordering abstention.

Despite his sometimes highly controversial views, Sir John was respected and well-liked by MPs of all parties for his charm and sincerity. He was a familiar figure in the Commons sitting on the front bench below the gangway.

Sir John had been having treatment for some time. His death was caused by pneumonia and jaundice which developed after he returned from a month-long trip to Africa.

OBITUARY

Lord Roberthall: leading adviser on economics

LORD Roberthall, who died on Friday, aged 87, was the senior economic adviser to Labour and Conservative governments from 1947 to 1961.

As a Keynesian during the heyday of Keynesian demand management, he believed firmly that governments could and should intervene in the economy to sustain high levels of activity and employment. The "broad rule," he once wrote, "is simple enough": it is "to stimulate demand when it is deficient and to restrain it when excessive."

Lord Roberthall was born in New South Wales in 1901 and trained originally as an engineer. He came to Oxford as a Rhodes Scholar in 1923 and was an economics fellow at Trinity College from 1926 to 1947. After leaving Whitehall, he was principal of Hertford College, Oxford for three years in the 1960s.

Formerly known as Sir Robert Hall, he was made a life peer in 1969. He sat on the cross benches and joined the SDP in 1981. He was dismayed by the sharp rise in unemployment after 1979 and attributed it in part to the monetarist policies of the Thatcher government.

In 1981, he signed the famous letter from 364 economists which criticised the Government's economic approach and urged a return to more conventional economic policies.

Lord Roberthall will be remembered as one of the best economic advisers of the postwar period. He was a practical and pragmatic economist rather than a theoretician and is reputed to have had an almost feminine feel for the state of the economy.

His forecasts, unlike those of his successors, were rarely wide of the mark. He took events as they came and once remarked that he lost less sleep over the balance of payments than his colleagues at the Treasury because he knew "we could always devalue."

He was a more rounded man than many economists and had a great love for literature. He often re-read Proust in the original French and once set himself the task of learning all of Shakespeare's sonnets by heart. He had read all the plays by the age of 21. He intended to become a philosophy don at Oxford, but, always practical, took an economics job when it presented itself.

Lord Roberthall, despite his years in Whitehall, remained a shy and emotional man. He never lost his Australian accent and retained a love of outdoor pursuits – he was a keen gardener until well into his eighties. He was an intellectual who none the less lived life to the full. He will be remembered for his integrity and breadth of vision - qualities which today often seem in short supply.

Lancia importer moves into profit after five years

By John Griffiths

LANCAR, the importer of Lancia cars, has made its first profit since it was set up by Mr Gerald Ronson's Heron Corporation five years ago. It is forecasting a sales recovery from 2,689 units at their low point in 1984 to 10,000 units in 1992.

Mr Ronson, a self-confessed "car enthusiast," took over from the Fiat group the task of reversing Lancia's plunging UK sales in February 1983. He said then that Lancar would be profitable within two years and that between 25,000 and 30,000 Lancias would be sold in 1987.

When initial sales failed to meet Lancar's targets and dealers' morale appeared to be flagging, he volunteered himself as a hostage to fortune by appearing in motor trade advertising to assure them that: "I didn't take on the Lancia franchise to lose money."

Three years later than intended, Mr Denis Rohan, Lancar's managing director, was able to announce this week a pre-tax profit of £89,000.

Lancar has not disclosed its losses over the four previous years. At the time of the takeover, Mr Ronson said Heron would put between £5m and £10m into the business following its acquisition, also for an undisclosed sum.

The profit has been achieved when Lancia sales in the UK are rising again after their spectacular collapse between the late-1970s and mid-1980s.

In 1978 Lancia sold nearly 12,000 cars in this country. However, a furore over rust which led to the recall in 1980 of a now-obsolete model, the Beta, caused sales to nosedive.

By last year, sales had risen to 3,439. In the first eight months of this year they were up 21 per cent on the equivalent period of 1987 at 3,061 units. More than 960 units were registered in August alone.

According to Mr Rohan, Lancar's financial improvement reflects improved control of costs, with advertising and promotion spending reduced from £440 to £170 a unit. He also cited a richer model mix in which sales emphasis has switched to the Thema executive car and – "helped tremendously by Lancia's string of world rally championships – the Delta hatchback.

However, the recovery is also taking place in advance of a large model replacement programme by Lancia following a return to substantial profits by Fiat, the parent company. It is understood that the veil on some of these products may be partially lifted at the Paris motor show at the end of this month.

As part of the expansion, said Mr Rohan, Lancar is seeking to expand its current network of 94 dealers to about 120 by 1990.Lancia's overall market share in western Europe is about 1 per cent, but its share in the UK stands at 0.19 per cent.

Lancia's recovery in the UK is being outpaced, however, by that of Alfa Romeo, which became a Fiat subsidiary at the beginning of last year.

The Alfa Romeo franchise, which is held by Tozer Kemsley & Millbourn, the UK investment group owned by Sir Ron Brierley, the New Zealand entrepreneur, has seen sales for this year's first eight months, at 2,537 units, easily exceed the 2,303 sold in all of last year.

Mr Peter Kinnaird, managing director, is now forecasting a year-on-year sales increase of 52 per cent and Alfa's best UK performance for four years.

It, too, has a long way to go before matching 1970s sales performances. At their peak in the 1970s, Alfa sales reached almost 15,000 units a year. However, it will also benefit from substantial investment in new models by Fiat, with the 164 executive saloon due to go on sale in this country shortly.

DTI plans for share disclosure 'are timid'

By Clive Wolman

THE GOVERNMENT's consultative document on improving the disclosure of interests in shares behind nominee accounts is criticised as excessively timid in a response from the publishers of the Index of Nominees and their Beneficial Owners, which is published yearly.

Mr Christopher Hird and Mr Richard Belfield, the directors of Fulcrum Publishing, claim that the Department of Trade and Industry has given in to the special pleading of a small and unrepresentative group of investors by opposing the automatic disclosure of those who stand behind nominees when the shares are registered.

The document, published in July, exaggerates the practical difficulties facing particular investment management companies with many small individual clients, Mr Hird and Mr Belfield argue.

Many institutions, including Legal and General, N.M. Rothschild and CL-Alexanders Laing & Cruickshank, already use individual designations, they say, and the others still have to use an internal system for identifying individual shareholders by name.

They suggest that only shareholdings representing less than 0.05 per cent of a company's equity should be excluded from the obligation of disclosure, so that shareholders can be identified.

They also suggest ways of averting the possibility that company directors might abuse greater powers to enforce disclosure of interests they believed to be hostile, while protecting friendly interests.

All shareholdings above a specified level should have to be disclosed, they say, and any shareholder with more than 3 per cent of a company's equity should be able to require the company to enforce disclosure. The present threshold is 10 per cent.

The Index of Nominees, published by Fulcrum, has become the standard reference book for company secretaries seeking to identify the true owners of shares behind the nameless nominee accounts.

Fall in National Savings receipts continues trend

By Our Financial Staff

THE TOTAL net contribution to National Savings in August was £111.8m, including £33m from accrued interest, continuing the pattern of lower monthly net receipts compared with the past few years.

After five months of the financial year the contribution by National Savings to Government funding is £640.8m, compared with £1,069.3m for April-August last year.

Index-linked certificates net receipts were £67.3m. The only other really buoyant category was that of income bonds, which attracted £64.3m. Elsewhere the Investment Account brought in a net £30.1m and Premium Bonds added £17.0m.

Car exports remain low despite rise in August

By John Griffiths

CAR production for export markets is running at a level well below that of last year, according to provisional statistics from the Department of Trade and Industry.

Taking the latest six months as a whole, seasonally adjusted export output was 9 per cent lower than in the preceding six-month period and 13 per cent lower than in the corresponding six months last year.

That was inspite of an increase in export output during August to 19,000 units compared with 17,000 in July.

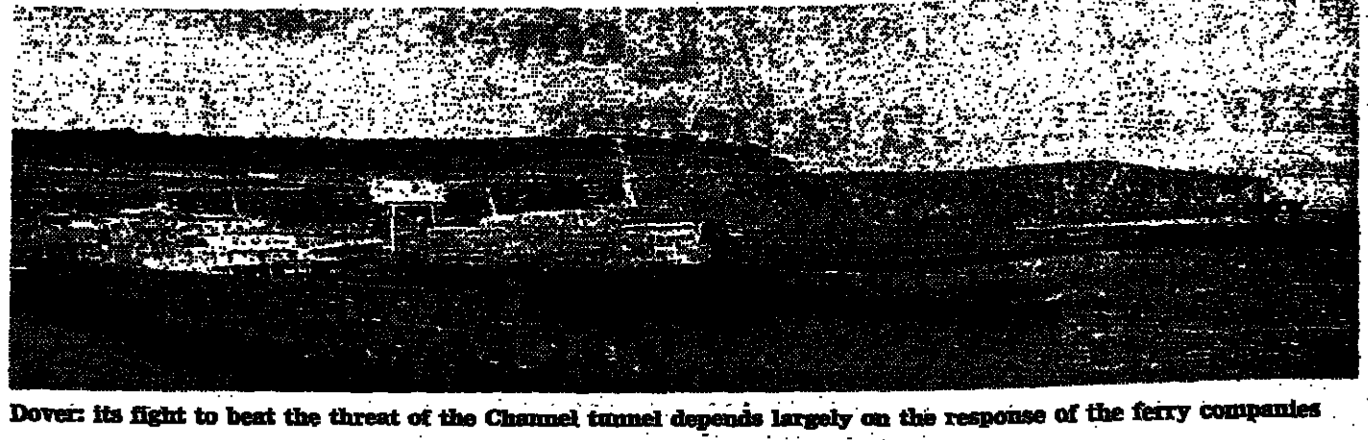
Total car output in August, at 100,000 units seasonally adjusted, remained at a high level, although slightly below the 104,000 of July.

Taking the latest six months as a whole output was 10 per cent above that of the previous six-month period and six per cent above the same six months during 1987.

Commercial vehicle production, at a seasonally-adjusted 33,800 in August, remained at a very high level and substantially higher than in July, when 29,000 units were built.

In contrast to cars, output for export is showing particular strength.

Taking the latest six-month period it was up 45 per cent compared with the both the previous six months and the corresponding period a year ago.



Dover: its fight to beat the threat of the Channel tunnel depends largely on the response of the ferry companies

Light at the end of the tunnel

Kevin Brown on Dover's battle to weather strikes and competition

THERE are fewer pickets outside Dover's eastern docks nowadays, and a lot more tourists. The seven-month seamen's dispute is fizzling out and ferry services are almost back to normal.

However, there will be no celebrations among the 950 people who work for the Port of Dover, or the thousands more whose lives are bound up in the local ferry industry.

For them, the dispute was only the latest in a series of catastrophes which will overshadow the port for years to come. First came the Herald of Free Enterprise disaster. Nearly 200 people died on the Dover-based ferry, owned by Peninsular and Oriental Steam Navigation, when it capsized off Zeebrugge in March 1987.

The accident was a social and economic disaster for Dover, but it also destroyed the port's campaign against the Channel tunnel, which had been making significant headway on safety grounds.

The immediate consequence was that P&O moved to cut costs by reducing manning levels on its Dover-based ships —leading to a brief, national strike and mass demonstrations at the dockside. In the end, more than 700 seafarers lost their jobs.

The largely unionised port workforce worked normally throughout the dispute, but the port was hard hit by the reduction in both tourist and freight traffic.

Port revenue will be about £31m this year – £5m less than expected – and a forecast profit of £2.8m will be wiped out. Some of that will be recovered next year, as the ferry companies seek to boost their traffic with special offers.

As the strike disappears from view the Channel tunnel looms on the horizon.

The precise impact on port traffic will depend on the marketing and pricing policy adopted by Eurotunnel, the Anglo-French consortium which will operate the tunnel, and the response of the ferry companies. But it is clear that the tunnel will take almost all the 3.5m foot passengers who used Dover last year, together with up to three-quarters of the 1.8m cars, 121,000 coaches and 888,000 lorries and rail wagons.

Like all ports, Dover can generate profits only if it can attract sufficient shipping services. Up to now, the location of the port on the shortest route between the UK and its big Continental markets has made that relatively easy.

However, from 1993 onwards, its future will depend crucially on the response of the ferry companies to the tunnel.

Mr Jonathan Sloggett, the port's managing director, points out that by 1992 the average age of ships in the Dover fleet will be 11 years – not a good competitive product against brand new, high-speed rolling stock.

So reinvestment in new ships will be required. However, as well as the effects of the tunnel, the ferry operators also face the probable loss of highly-profitable duty-free sales, and the imposition of value added tax on tickets, as part of the completion of the European single market.

The situation is further complicated by the distorting effect of the very lucrative Dover to Calais services, which have served to mask the true level of losses on other routes.

Mr Sloggett's view is that the ferry companies will concentrate services on Dover-Calais, while pulling out of most other routes, with the possible exception of services to Belgium, which are subsidised by the Belgian Government.

P&O's fight with the unions over manning costs is a clear indication that it wants to be in the best possible position to compete with the tunnel when the time comes, but that does not preclude an eventual withdrawal, or a smaller service co-ordinated with Sealink.

Mr Sloggett says: "There is a spectrum of potential capacity that runs from more competition, through rationalisation, with one operator going, to the loss of most of this country's ferry routes.

"Just how far the pendulum swings is going to depend on whether the ferry operators keep their nerve, whether the Channel tunnel keeps its nerve, and whether the period from now to 2000 is going to be handled by all those involved in a measured way."

There are some things that Dover can do to influence the future. For a start, the port has shed 70 workers, and plans to lose a further 40 or 50 through natural wastage.

Secondly, it is spending £70m to provide all the facilities which might be needed over the next 25 years. The loans which are paying for this investment will be paid off by 1993, enabling the port to compete with the tunnel unencumbered by debt.

Thirdly, the physical movement of goods through the port is being speeded. Five years ago an inbound lorry took eight hours to clear customs. Now 75 per cent go through in less than an hour. This could be improved to 90 per cent within 30 minutes under a "fast lane" procedure being discussed with the Customs and Excise service.

Lastly, the port has diversified into general cargo, and there are some hopes that this trade can be increased, although the shallow harbour waters would make rapid expansion difficult.

Mr Sloggett says his strategy should enable Dover to compete with as little as a quarter of its current traffic, but he also has an insurance policy.

In line with recent encouragement from the Government, Dover has begun to investigate the possibilities of privatisation. This would mean the loss of the port's status as a non-profit-making trust, established by Act of Parliament, but it would also allow surplus land to be developed.

The port already owns much property (including the White Cliffs Hotel) and privatisation would permit further development and encourage innovations such as yachting marinas.

"The last 18 months have been fairly unpleasant here – the Herald of Free Enterprise, the P&O strike and Equity Three (Eurotunnel's final sale of shares) have taken up a considerable amount of our resources," says Mr Sloggett.

"I hope the next nine months or so will allow us to devote ourselves to thinking about our future, coming to a clear view about the job we want to do, and making the most efficient use of our assets."

Mr Sloggett says he is pessimistic about the future of ferries, but not about the future of Dover. "At the end of the day, if the ferries won't use the port we will put offices on it or build a hotel," he says.

A preposterous suggestion, you may say. Quite ludicrous. But before you dismiss it as pure fiction, consider the following facts.

The rate of information growth is doubling every five years. Currently, 6000 new scientific articles are published every week.

An explosion of facts and figures shattering the dreams of anyone hoping to become a Jack-of-all-trades. Indeed, being the master of just one is now a race where the finishing line keeps moving.

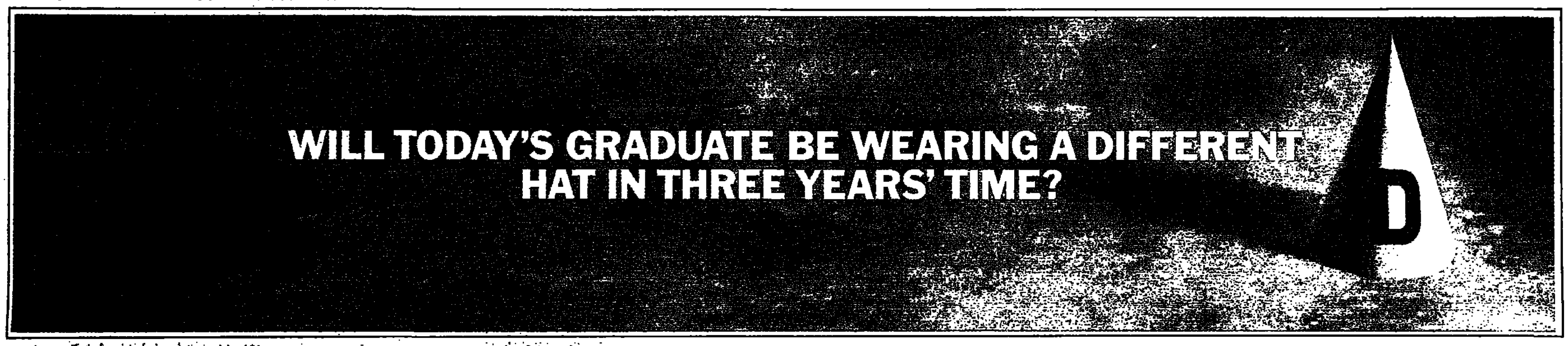
Skills and knowledge that may have taken years to acquire can be out of date almost overnight.

Think of the ship designers in the north-east who have had to turn their hand to designing oil rigs.

The plant breeders who have had their world turned upside down by the advent of genetic engineering.

The textile designers who have had their crayons replaced by computer keys.

Formal qualifications on their C.V.'s, though important, would have given little indication of their capacity to accept and adapt to change.



Of course, if we expect people to have a more flexible, adaptable outlook on work, we must also expect the same of their employers.

So companies must be prepared to do more than just give time off for occasional conferences. They must also allow time off to attend business schools and retraining courses. And maybe more.

Some companies do already. But should we follow the example of countries like Sweden where mid-career breaks of several years are not uncommon? In fact, is it time we reappraised our attitude towards career patterns entirely?

Traditionally, the long serving employee has been held up as the shining example. And, of course, many years of experience in a company can be invaluable.

But in today's fast changing world perhaps we should look more favourably on frequent job changes and regard them as the need to face fresh challenges.

That, in itself, is a challenge that business may soon have to face.

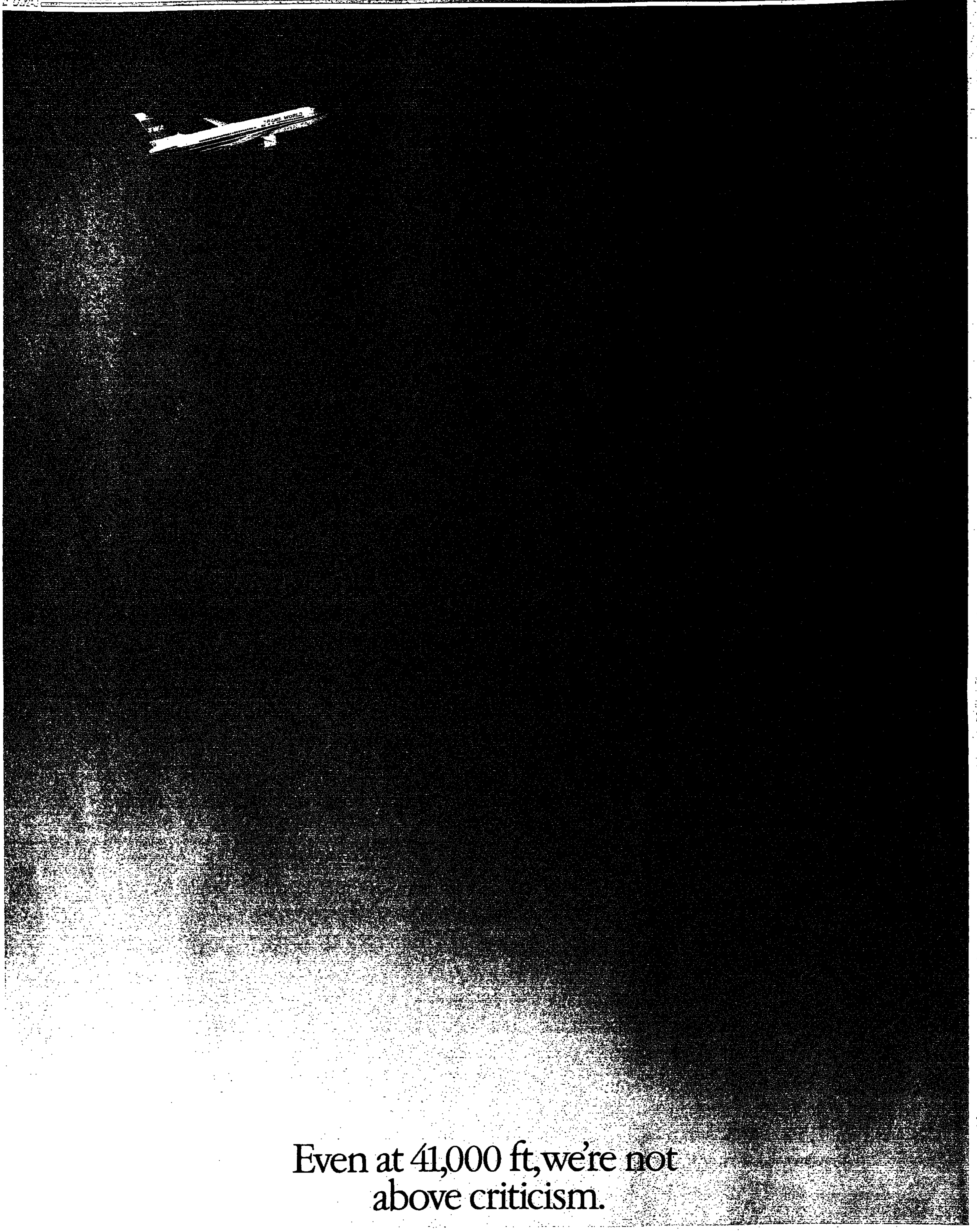
Indeed, in our view, training, or lack of it, is very often at the root of many companies' staffing difficulties.

Yet, sadly some firms still see training as a side issue when compared with, say, providing plant and finance.

According to the latest (1985) MSC figures, the average company spends a mere 0.15% of its turnover on training.

As for ourselves, this year training will cost us some 10% of our income. It's a sizeable sum. But it's one we would not spend unless we knew it would repay us fully in the years to come.

E&W Ernst & Whinney
Accountants, Advisers, Consultants


Even at 41,000 ft, we're not above criticism.

CONSTRUCTION CONTRACTS

Hotel project in Bangladesh

A US$50m (£29.4m) hotel is to be built in Dhaka, Bangladesh, by BOVIS INTERNATIONAL's wholly-owned subsidiary Bovis (Far East) of Hong Kong. The 23 floor, 400 room hotel will be owned by International Holdings, of Dhaka, and managed by the Asia-Pacific regional division of Holiday Inns International.

Occupying a three acre site in the heart of the city's commercial area, the hotel development will also include a convention centre, banqueting hall, swimming pool and shopping arcade. Completion is scheduled for early in 1991.

As project manager, Bovis (Far East) will be responsible for financial control of the project as well as building and materials procurement. Preliminary site preparations are underway and test piling has started.

The 38,000 sq metre multi-storey hotel structure will be built of reinforced concrete, with an adjoining low rise commercial complex of 37,000 sq metres. Estimated building costs for the hotel are US$26m (£15.3m) with a further US$17m (£10m) to be spent on plant and equipment.

Bovis Construction has been awarded a £10m management contract to build the first phase of an office development for Hewlett Packard in Bracknell, Berkshire. The first phase includes a three-storey, concrete framed building to provide 100,000 sq ft of office accommodation including services raised floors, ceilings, partitions and data cabling. The building will be clad with a combination of aluminium double glazed windows and Luxalon sandwich wall cladding. The site works comprise extensive ground level parking and landscaping. This phase of the development is expected to be completed by November 1989.

Marylebone Road development

Companies in the TRAFALGAR HOUSE building and civil engineering division have won contracts worth over £14m: Trollope & Colls Construction has been awarded an *£8.5m contract to construct* office accommmodation with adjacent apartments at 139-151 Marylebone Road, London, on behalf of Sheraton Securities International. The building will have a reinforced concrete frame of waffle slab construction which will encompass 67,500 sq ft of offices and 1,830 sq ft of *residential* property.

Willett has won a £1.8m contract for three high-technology *office units in Greycaine Road*, Watford, on behalf of sister company Trafalgar House Business Parks. The two-storey steel frame building will provide 35,000 sq ft of office accommodation.

Hospital facilities

The Scottish region of WIMPEY CONSTRUCTION UK has been awarded a £14.2m contract by the Tayside Health Board for a major extension to the Perth Royal Infirmary. The project will provide a substantial improvement in accommodation with new buildings and alterations on a site immedi*ately to the west of the hospi*tal in Jeanfield Road, Perth, near the city centre. Construction will be around an in-situ concrete frame with elevations variously of brick/block and metal cladding.

Refurbishing Jersey bank

HIGGS AND HILL MANAGEMENT CONTRACTING has been awarded a £1.4m contract to undertake the major refurbishment of Lloyds Bank in St Helier, Jersey. The work, which is all to be undertaken while the bank remains trading normally, requires the refurbishment of all public and office areas. The building has an interesting history. It was acquired by Lloyds in 1874 and the ceiling, which is to be restored, and the main entrance doors, date back to that period. The fine curved oak entrance doors appear in many local photographs taken during the occupation of Jersey, when the bank remained trading, but dealt in Deutschmarks rather than pounds sterling. The contract also requires the installation of banking hall counters, complete replacement of the heating and ventilation systems and a pneumatic tube transfer system. It will also have a lobby with a brushed aluminium facade set in local granite to match the external wall.

Offices for Slough

McLAUGHLIN & HARVEY has been awarded a total of £16.8m *contracts during August*. Work is to start shortly for MEPC on the redevelopment of Observatory House, Windsor Road, Slough. The project comprises a six-storey office block with a separate multi-storey car park. The contract is valued in the region of £14.5m with a con*struction period* of 61 weeks.

Work has already commenced on an office building at Boundary Row, London SE1 for Mathieson Securities. The contract, valued at £2.3m, is due for completion in 42 weeks.

MANAGEMENT

A total commitment to quality

Last Thursday the presidents of 14 European multinationals signed a letter of intent to establish the European Foundation for Quality Management.

Their intention is to spread the message to fellow manufacturers and service organisations across Europe that traditionally limited concepts of "quality control", "quality assurance" and "zero defects" are inadequate, and that quality management must be extended to every part of an organisation if it is really wants to improve its competitiveness.

The EFQM suggests that quality strategies are characterised by: excellence of all managerial, operational and administrative processes; a culture of continuous improvement in all aspects of the business; an understanding that quality improvement results in cost advantages and better profit potential; the creation of more intensive relationships with customers and suppliers; the involvement of all personnel; and market-oriented organisational practices.

Claudius Chorus is the executive director of the foundation which operates from Groenewoudseweg 1, PO Box 218 — Building VO-p, NL 5600 Eindhoven.

The articles below examine the very different quality management systems of two of the founding companies: British Telecom, and West Germany's Robert Bosch.

BT: staking its future on its ability to deliver

British Telecom's decision to join the new European Foundation for Quality Management prompts an immediate question. Why should a company which has had its quality problems so mercilessly exposed over the last 12 months lay itself open to the risk of yet more criticism and public ridicule?

The answer is that BT is staking its future on its ability to deliver a high quality service. Last year's furore over broken-down telephone kiosks and out-of-order lines has, if anything, deepened the company's determination to remould itself into a service-oriented company. Iain Vallance, catapulted into the chairmanship in the wake of the crisis, has clearly decided that he will sink or swim on the quality issue.

What the public has seen of this commitment so far is a series of promises to deliver an improved service, tied to financial guarantees if these are not achieved. Under pressure from the Office of Telecommunications, BT has agreed to a testing programme of targets, including regular publication of its performance in responding to customer demands, and compensatory payments when it fails to deliver.

Vallance, however, regards the quality issue as far more than these published objectives. He has fixed upon quality as a means of developing a new sense of purpose in the company. For him, quality is a catalyst to help the group manage itself better; in the process, he expects it will become much more responsive to the public than it ever managed to be under the bureaucratic systems of State management.

This approach goes back to the early days of privatisation, when Vallance found himself in control of BT's UK communications division. The company went through a terrible buffeting, he recalls.

In the space of five years it had moved from public ownership to a stock exchange quotation, and from a tightly controlled market to an increasingly competitive environment. It had responded to these legislative changes by driving through a radical reorganisation of its own, splitting its structure into smaller operating groups and pushing managerial power down the line. At the same time it had brought in droves of new managers, particularly accountants and marketing staff.

Vallance argues that these structural changes were essential to achieve swifter response to market needs. But he became aware, he says, of a cultural vacuum as the old principles of public service management, which had grown up "like coral" over the past 70 years, were stripped away. The initial enthusiasm among the management team for market-type disciplines — responsibility to shareholders, the scrutiny of the City, new competition for telephone services and the like — was not enough, he thought, to galvanise employees over the longer term. And he wanted something that touched everyone — from the chairman to the engineers in their little yellow vans.

"A big organisation like this needs values and a common language," he says. "These things don't happen naturally."

From this beginning, Vallance developed the idea of Total Quality Management, as it is tagged at BT. His concept of how this would work derived from what he saw as the weaknesses of the traditional managerial system in the new environment.

In the old days, he says, BT was a relentlessly top-down organisation, controlled from the centre by a "group of engineers and literati" who issued edicts which went into a rule book that was then slavishly implemented at the operating level. He believed that such an organisation stifled the responsiveness that was essential in a service-oriented company.

Employees needed to feel responsible for problems that landed on their desk, he says, not to shuffle them as quickly as possible into their out-trays; and they ought to work more as teams, ensuring a two-way flow of information and effort, rather than passing instructions down the hierarchy.

These messages are now being hammered home to BT managers in an extensive £10m-a-year quality training programme.

What they have been taught are two main steps towards Total Quality Management. One aspect is to link quality management to the business planning process so that the quality issue becomes a part of the normal working environment. Customer requirements are identified, goals agreed and responsibilities allocated. Progress is then monitored against these benchmarks.

The second element is the establishment of improvement projects by senior managers, designed to tackle specific problems in a highly structured way. Details of the issues are described, targets set, and progress measured. These often involve teamwork and training, another factor in breaking down the old barriers raised by the rule book.

So far so good. But what about the company's progress so far?

Two points stand out in BT's response. First of all, quality training will be a long-term business. The group has 230,000 employees, and the habits of many are still frequently embedded in the mountains of convention that were inherited from the years of State ownership. Changing these traditions

Iain Vallance: sink or swim

will be a little like turning a supertanker — slow, laborious and tricky. Indeed, the scheme has so far only reached half of the managers scheduled to attend the workshops.

To compound the problem of altering direction, BT has been faced with a dearth of experience in quality training in the UK — one of the reasons why it wanted to join the Foundation and swap information. Colin Williams, BT's director of quality, says that when the company started the project, all the expertise was in Japan and the US, and he had to go to American consultants to help establish the system.

Second, the company has now developed a kind of twin-track approach designed to improve its short-term quality performance on the one hand, and to teach the new Total Quality Management methods on the other. This involves a significant cost, because the short-term measures demand heavy resources which would not be required if the management scheme were already producing the results the company is looking for.

The best example of this problem is BT's reaction to the 1987 furore over the slump in operating standards, a direct result of the engineers' strike earlier in the year. The most eye-catching part of this episode was the crisis in the call-box service, where standards had fallen to such an extent that only 60 per cent of the company's payphones were serviceable in some parts of the country.

When these problems hit the headlines, BT moved to tackle them with unfamiliar speed. A big investment programme in new equipment, already begun, was accelerated to breakneck speed; and men were poured into the effort to keep the 80,000 phoneboxes in order. At the operating level, the solution worked splendidly, pushing serviceability well over the 95 per cent level. But it has been expensive in resources, a point that is underscored by the virtual halt in BT's redundancy programme since it began to tackle the main failings identified by the critics.

The longer-term question, therefore, is whether BT will be able to hold on to these gains while reducing the cost of the resources put into solving the problem.

Vallance argues that if the Total Quality Management programme works as it should, it will eventually allow exactly this to happen — or to put it another way, it should prevent the serviceability headaches from occurring in the first place.

If it achieves this happy state, BT will be living up to one of the promises made to potential investors during the heady days of its flotation roadshow: that quality would lead to growth and therefore to improved profitability.

Terry Dodsworth

Bosch: reducing human error to a minimum

Fifty years ago, a grey-bearded Robert Bosch peered critically through his round spectacles at a simple piece of metalwork just completed by an apprentice. Bosch, alert and sprightly in his late 70s, thought the angle was not quite 90 degrees. He was correct: it was not a precise right angle.

A photograph of the venerable Robert Bosch critically inspecting the work of the eager apprentice appeared in a special edition of the house magazine marking the centenary two years ago of the group which bears his name. It made clear that for Bosch, both the man and the company, quality was and is paramount.

"I have always tried to ensure that only such products are delivered that will stand any objective test — in other words, work that is superior in every respect. I have acted on the principle of rather lose money than the confidence of my customers," said the founder of the predominantly automotive products group, now owned by a private foundation, in 1918.

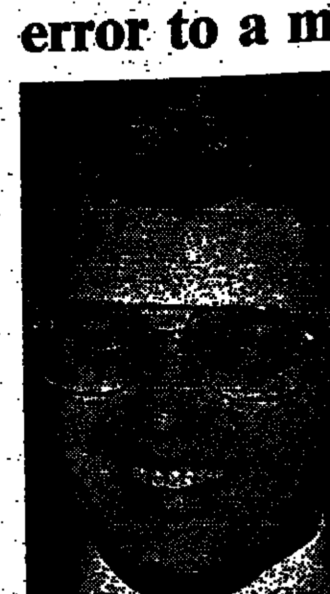
Today the aim is the same: to give customers the products which best suit their needs in terms of function, reliability, design, maintenance, and service. But the techniques have become vastly more complicated, depending heavily on systems designed to reduce human error to a minimum.

Human motivation remains vital, none the less. "Achieving quality is easier when workers identify strongly with the company, feel at home with it, and know there is a consensus over quality," says Manfred Graf, manager for quality assurance at Bosch.

Bosch, which makes such products as household electrical goods, telecommunications equipment, and heavy machinery, is already taking an assertive and more systematic approach to quality. Increasing use is being made of methods that originated in the US; the intention is to ensure quality by preventing problems occurring. "Do it once, do it right" is the maxim adopted by Bosch, according to Hansjörg Manger, general manager with overall responsibility for quality.

Pioneers of quality management, he added, believe that some 80 per cent of the solution of quality problems lies with management and not, as often thought, with quality controllers on the factory floor. It is roughly assumed, Manger says, that it costs 10 times more to put a problem right at the manufacturing than at the design stage.

Putting the error right once



Manfred Graf: a consensus

the product has been made multiplies the cost a further tenfold. And once in the hands of the customer, the expense of inadequate quality goes up another 10 times.

So Bosch, along with other companies in the automotive sector, has begun using two sophisticated methods in particular to give its quality management more discipline through clear procedures, guidelines, and measurements. One is Failure Mode and Effects Analysis (FMEA), originally developed in the US space industry. This seeks to identify all potential weak points at the development stage of a product, so that they can be removed as early and thus as cheaply as possible.

The other is Statistical Process Control (SPC), through which key manufacturing processes are monitored to ensure that production machinery works well within accepted tolerances — in fuel injection systems, for instance, holes of less than a millimetre diameter have to be drilled. The process is carried out by random sampling.

By aiming to identify problems in advance, both systems go further than the company's own method of quality assessments, which are carried out when designs are selected, and approved for production. In the case of FMEA, teams from design, pre-production, and quality assurance thrash out all possible defects according to a regulated procedure.

To check that SPC is working, plants must define all aspects of production which affect the actual function of the product. Each plant's quality assurance department is directly answerable to the management of its division and not to that of group manufacturing. This is to shorten the link to top management.

The drive for ever-improving quality stems from the tougher demands of customers as much as from Bosch's own pride in its reputation. Graf, who reports to Manger, says: "Customers and users have grown far more aware of the need for high quality products."

Thus Bosch talks over with its customers the results of its FMEA; these are regularly updated to take account of product and manufacturing changes. In the case of automotive parts such as fuel injection systems or anti-skid braking systems (ABS), says Graf, "our designers and engineers need to know just how they are being used in the car and under what conditions, and how they will be assembled."

The whole approach is far more integrated, and more stringent, than in previous years. "Preventative quality assurance is a very tough and systematic business," says Graf. "It requires a lot of discipline, hard work, and energy." Bosch also insists that its several thousand suppliers adopt SPC. Bought-in parts and materials account for over 40 per cent of Bosch's turnover, which topped DM 25bn ($13.5bn) last year.

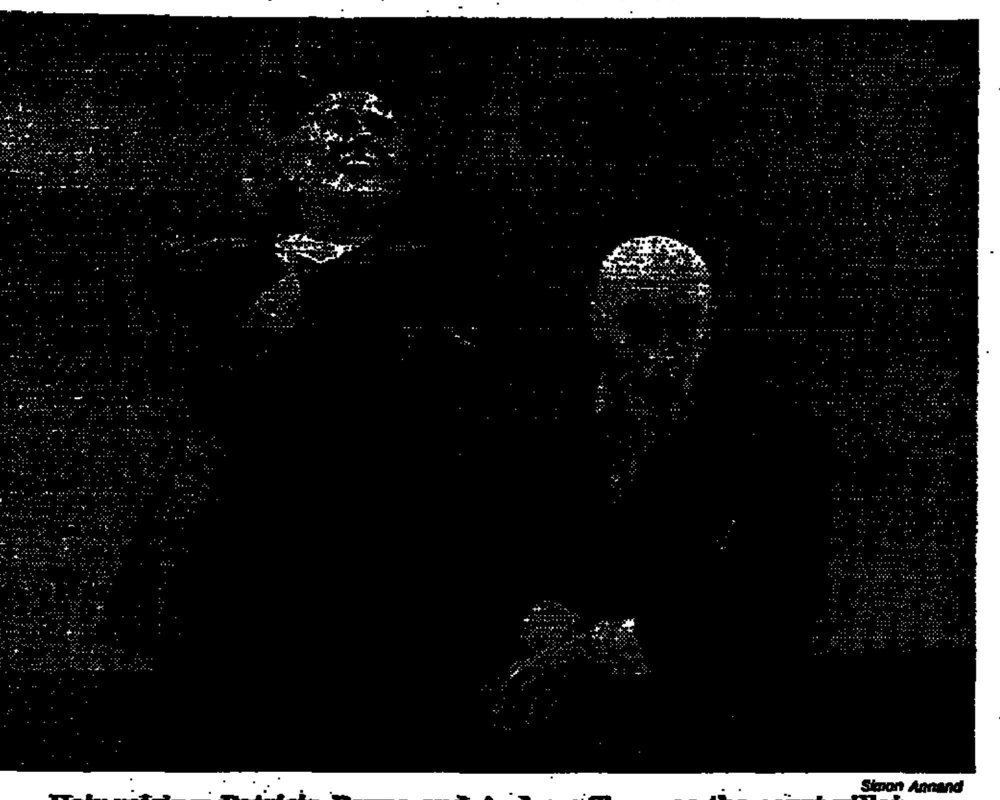
In future, Bosch intends to put its suppliers on an internal rating system, conducting regular audits to check how they manage their own quality.

Whether in fuel injection and braking systems, household white goods, power tools, or communications equipment, Bosch has always had a high reputation for quality. Its commitment to the new foundation shows this. It is concerned to see that its laurels do not fade. As Graf makes clear, though, the array of complex systems it has adopted to maintain and improve quality cannot function unless employees understand how they work and what they are for.

"The message about quality awareness and customer-orientation has to come from the top," says Graf. "The customers set the standard. They must not be disappointed."

Andrew Fisher

ARTS



Simon Annand

Hair-raising: Patricia Payne and Andrew Shore as the court villains in Opera North's production of Prokofiev's fairytale opera

The Love for Three Oranges

GRAND THEATRE, LEEDS

Prokofiev's fairytale opera, after a Carlo Gozzi comedy, can take as much designing as anyone wants to throw at it: the tale cries out for that, and the simple but racketty score will always fend for itself. The new Opera North production by Richard Jones (sponsored by the Friends of the company) is perfectly attuned to its designs, the funny-peculiar tale and the score. It has all the marks of a team effort in which everybody has had a very good time; certainly the Leeds audience did on Saturday.

The popular Corsaro-Sendak version for Glyndebourne combined monstrous 3-D cartoons (Sendak) with hyperactive vaudeville (Corsaro). Here too there is a cartoon influence, but distinctly Gothic – something between Charles Addams and East European animated films. In fact the sets are by the Brothers Quay, an original American pair whose films in that latter style have been seen on Channel 4; they are matched by Sue Blane's costumes, creepily comic creations on their own, and by Michael Ward's hair-raising fright-wigs and makeup. Making full play with all that, Richard Jones contributes his own gift for drawing grotesque physical comedy from opera-actors, already much admired in Judith Weir's *A Night at the Chinese Opera*.

David Lloyd-Jones conducts the English Northern Philharmonia with vim and properly fierce colour, but allows his cast to make the words tell too – possibly because the crisp translation is also his work; the Grand Theatre is anyhow very friendly to sung words. Slightly quicker musical reactions from the conductor to dramatic cues would be a bonus. Anthony Jenner's multiple chorus, who are kept busy as teams of warring spectators, courtiers and demons as well as a troupe of bespectacled *music-hall compères* are impeccably lusty, abetted by a tribe of demonic infants. Opera choruses get livelier and livelier nowadays.

The fey hero – the hypochondriacal Prince, besotted by oranges – is Peter Jeffes, moaning and singing to excellent purpose and contriving to look like Peter Tatchell. Mark Glanville and Alan Oke as the King and his confidant are ripely gloomy, and Peter Harrhy is a perky Jester. There is a superlative trio of court villains: Patricia Payne looming in black leather, Andrew Shore as the most Addamsish figure of all and Maria Jagusz as the horrid, little delinquent Smeraldina.

Someone had the inspiration of inviting Pauline Tinsley to play the witch Fata Morgana, which she does with staunch menace, and there is a good charlatan-sorcerer Chelio from Roger Bryson. The minor demon Farfarello, who propels the travelling party by wind, is Mark Lufton, equipped as noted in the programme credits: "flatulence by Chubb Fire". Not for the first time, I think, the giant, ladle-wielding cook who can't resist a pretty ribbon is impersonated by Richard Angas with tender relish.

As the two Princesses who survive release from their oranges only for a couple of minutes, Lesley Roberts and Victoria Sharp are appealing; so is the luckier third one, Juliet Booth. The oranges themselves are among the less inspired props, though: something more seriously cuttable-open would be better. Otherwise there is a satisfying battery of magical effects, and the opera is played sensibly with just a single interval. It is on its way to Nottingham, Manchester and Hull; since it is billed as a co-production with English National Opera, we may look forward to having it turn up one of these days in London too.

David Murray

London Symphony Orchestra

BARBICAN HALL

Last night Michael Tilson Thomas made his first appearance as the LSO's Principal Conductor on their home ground. It was more than "auspicious": he demonstrated an already close, sympathetic rapport with the orchestra – canny enough to trade generously upon their special strengths – and thereby secured a splendid performance of a great work, Mahler's Ninth Symphony.

Furthermore, his choice of shorter pieces signalled an alert interest in music both new and British, which makes him a doubly welcome guest. The LSO seem to have picked themselves a winner.

For this concert Oliver Knussen had composed a starter (and actually finished it in time!), a "Flourish with Fireworks", convoluted but concise, witty and effective. Besides the exercise of building a piece upon the note-equivalents of "LSO" and "MTT", Knussen had fun transmogrifying bits of young Stravinsky's "Fireworks".

Then came a potent fragment from Robin Holloway's opera Clarissa , after Samuel Richardson and so far unproduced.

In the heroine's crucial scena, the soprano Anna Steiger lent passionate weight to the case for finding a stage home for Clarissa as soon as possible. Tilson Thomas took great care over Holloway's many-levelled orchestral textures, though there were still moments of uncertain balance – the post-romantic sound of the score half-conceals some tough complexities.

At a Prom last Sunday, I thought Tilson Thomas too ready to linger rapturously over early Mahler mood-music in Das klagende Lied. No such complaint about his sinewy account of the infinitely richer Ninth Symphony: it lingered – and very beautifully – only where prescribed, in the later pages of the closing Adagio. (There was calm, exquisite chamber-playing there, too, from the first-desk winds.)

This conductor's beat notoriously involves whole-body histrionics; evidently they secure him the orchestral results he wants. They distract, I think, only when they make what he aims at so obvious to the audience too that we strain to hear whether the orchestra will do justice to it. This time they regularly did, and with a fervour equal to anything other conductors have drawn from them.

The dangerous Rondo-Burlesk went at a crackling pace, but retained a sharp profile. In the preceding movement, Tilson Thomas chose a basic tempo for the comically wry Lä andler that was a trifle brisk for Mahler's deadpan jokes, but the up-tempo dances rocked excitingly.

The glory of the performance was shared with the Adagio by the opening Andante comodo, which the conductor obviously understands in every detail. It was brilliantly paced and pointed, with its elaborate polyphony made uncannily clear.

The LSO could still use practice in achieving sustained, genuine pianissimos;perhaps Tilson Thomas will attend to that.

David Murray

ARCHITECTURE

A talent that is no laughing matter

Colin Amery assesses the work of a traditionalist with an anarchic sense of fun

I like the architecture of Piers Gough because it makes it very difficult for anyone to know what to say about it. He is putting architectural writers to the test with the first major retrospective of his firm's work, on show at the Royal Institute of British Architect's Heinz Gallery in Portman Square, London, W1, until October 22. It is appropriately entitled *English Extremists – the Architecture of Cambell Zogolovitch Wilkinson Gough*.

In line with the now inevitable propensity for elaborate jests coming from this practice, the exhibition is simply a joke. Luckily it has an indulgent sponsor in Andrew Wadsworth of the Jacobs Island Company, who has happily paid to fill the Heinz Gallery with this junky display that obviously set out to say: "let's send up architectural exhibitions – the public don't enjoy them or understand them – let's make it all *fun*."

So you have glass cases filled with water and live fish; a crashed London taxi; a crafted tree sculpture and piles and piles of rolled up drawings chucked into the bottom of display cases. It all has the air of a first year Architectural Association student show – and a rather desperate air at that. Particularly repellent are the display panels covered in a viscous membrane that looks as though someone has torn the skin from a dead sheep.

There is no point in asking why this practice, which designs major buildings, wants to continue to fool around. When they are all old they will still be wearing their funky specs and giggling, but at least they will know that behind it all is some serious work. I cannot recommend a visit to the exhibition, but examining the firm's work in the catalogue is rewarding. It deserves serious discussion, and there is no doubt that the built-in silliness has postponed this.

I worked with Piers Gough when he designed the Lutyens Exhibition at the Hayward Gallery in 1982 and found him a brilliant designer, friendly, funny and often inspired. I felt, as he did, that architectural exhibitions must be seductive, pleasurable and accessible.

His ability to absorb ideas from Lutyens and transform them convincingly was most impressive; he has great architectural and historical knowledge and all his work is informed by a sense of tradition. I particularly like his 1985 transformation of a suburban bungalow in Gerrards Cross into an engaging exercise in Art Nouveau revival. A canopy based on a Guimard design in Paris gives style even to the garage extension. In this tiny house there is an enjoyable clutch of reinterpreted sources – from Voysey to Darmstadt.

More obvious, but equally enthralling is the studio for *trompe l'oeil* artist Lincoln Seligman, where a lead roof is prised open and the walls are rolled back as though they were made of paper. As owners come to look like their dogs, houses by this firm often seem to resemble the character of their occupants. The converted tower in Docklands for Mr Andrew Wadsworth with its domed bedroom, billiard room and Hollywood-style staircase to the stars is a *tour de force* of post-modern elaboration.

Not enough people ask architects to design their houses, but the practice's latest house is in Clerkenwell for Miss Janet Street-Porter – who was lucky to find a London site large enough to give her a generous four-storey house. It has been built right to the street with the façade shaded with four colours of brick to look as though it is permanently in light and shadow. The lattice windows with their concrete lintels cast in the shape of logs are incongruous for the area, but seem to make sense with the aquamarine roof tiles.

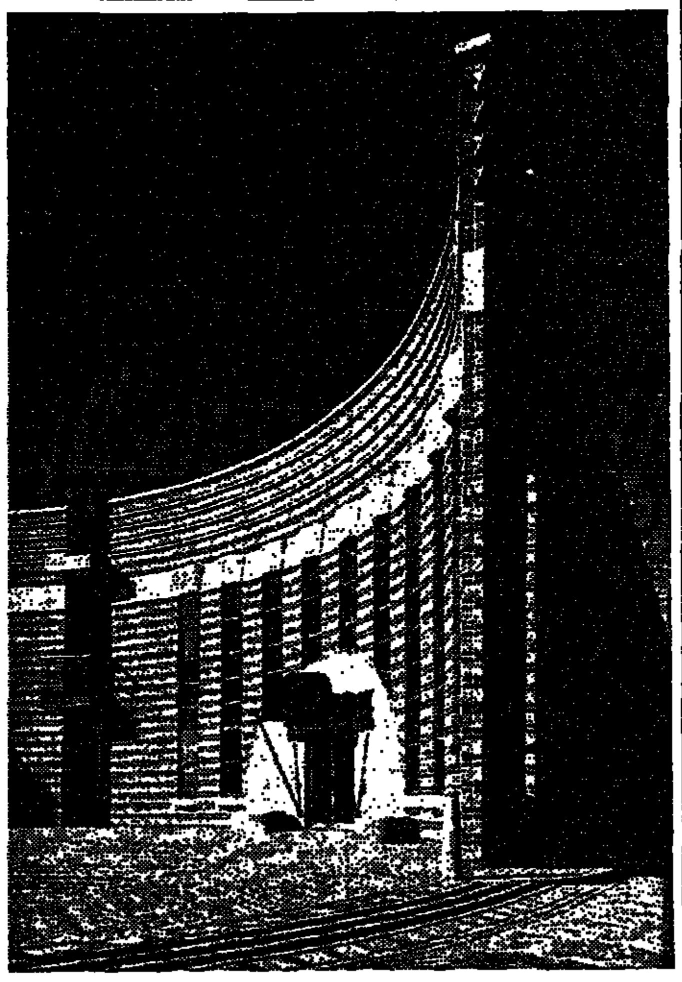
The house looks, from the outside, to have a sort of jagged charm. Photographs of the inside show the circular geometry of most of the rooms and the strong, personal tastes of the owner.

Three other buildings deserve attention. The first is on a business park close to the junction of the M4 and M5 called Aztec West. The plan of this brick box is as you would expect, but drama is caused by bites taken out of two corners, making them semicircular and almost Art Deco in their curves and striped brickwork.

The second building is unmissable if you visit the London Docklands. The Cascades on the Isle of Dogs has been described by the architect as the foothills of Canary Wharf. It is a high-rise for yuppies and has the air of a grain silo or something nautical with its portholes and banded brickwork. In my view it is one of the practice's least successful schemes. Docklands needs some large-scale edifices, but they need more care than this.

The third project of interest is a craft workshop block at Bryanston School in Dorset. Using the language of the existing large-scale Norman Shaw school Gough has made hay with the huge, stone-finished corkscrew columns and strong brickwork. It is entirely appropriate for the site, and adds some architectural strong meat to a campus that was developing along very unsatisfactory dated modern lines.

This practice always surprises, remains impossible to categorise and yet is traditionally English in originality and sometimes perversity. The firm reminds me of the late Harry Goodhart-Rendel, now an obscure hero of the fogies, and I suspect that its reputation will be very like his in the archives of architectural history. I wish I could commend the exhibition, but I certainly commend the architects.



Shades of Art Deco: the building designed by CZGW on the Aztec West Business Park, Bristol

Die Entführung aus dem Serail

COVENT GARDEN

Sighs of relief all round. After a host of unsatisfactory performances of this opera in the past season it was starting to look as though there were no singers who could manage the role of Konstanze left and an opera that should be unalloyed delight had turned into a trial, as the audience crossed its fingers and gritted its teeth every time the soprano of the evening opened her mouth.

So it is good to report that at last we seem to have the answer. The Royal Opera mounted its new production of Mozart's *Die Entführung aus dem Serail* last year and the first run of performances was not without its drawbacks, on the production side as well as the vocal. But, for this revival Elijah Moshinsky has returned to re-study his production, excising some of the more doubtful elements and generally supervising the stage action.

The front cloths by Sidney Nolan have gone, as have the intrusive be-wigged 18th-century courtiers. And if what we are left with sometimes seems little more than a pale, Turkish backdrop, which rarely gives us the feeling that we are in a land where cruelty and passion are lurking below the surface, it does at least allow the performers to play the opera in their own style.

The present cast are youthful, agile and – most important – they can sing the notes. As word gets around that the Italian soprano Mariella Devia makes light of the difficulties in this opera that tie most sopranos in knots, every opera house will want her as their Konstanze. The voice is not large and can sound brittle, but it is an instrument whose range increases, the more one hears it. Every shade of quiet, interior singing is within its reach and the flexibility is remarkable.

It is a rare treat these days to hear the high-lying coloratura of this role's three main taxing arias sung with ease and fluency: a wholly admirable Royal Opera debut.

With Robert Lloyd in equally good voice as Osmin, a sharply intelligent and lanky figure, rather than the usual humorously-threatening massive hulk, the revival has brought together a fine cast.

Deon van der Walt repeats his stiff and aristocratic, correctly-sung Belmonte; and the Blonde and Pedrillo, Lillian Watson and Lars Magnusson, are as delightful a supporting pair as ever.

Oliver Tobias is the Pasha Selim, very much an actor among singers. It is extraordinary how the difference in voice projection tells.

In the pit Jane Glover, the second woman to conduct at Covent Garden, led a basically lively performance, whose vigour through most of the score made up for a tendency to underline moments in the slower music with unwanted emphasis.

When she appeared for her curtain-call at the end, she was wearing a natty pair of Turkish trousers. "Harem pants" the woman behind me called them, though what the enlightened Pasha Selim would have to say about that I am not sure.

Richard Fairman

Penultimate Night of the Proms

ALBERT HALL, RADIO 3

As far as the 18th century is concerned the argument for authentic performing styles is surely over bar a modicum of shouting. The battleground has now moved to the heartland of the orchestral repertory, the 19th century, and to Beethoven in particular, and the period-instrument performance of the Ninth Symphony on the last Friday of the Proms should have marked a significant advance in the public perception of period performances. The orchestra was the London Classical Players and the conductor Roger Norrington, and their account was charged with intense physicality and excitement, from the brusquely-clipped opening phrases to the final peroration.

The most controversial aspect of Norrington's interpretation is not his insistence upon historically-faithful instruments, but in his selection of tempi. They stick exactly to Beethoven's prescribed metronome markings, and sometimes prove to be substantially faster than the norm nowadays. The Adagio moves at what would be construed as a modern Moderato yet seems perfectly comfortable and coherent, and builds to a rapturous climax, the recitative at the opening of the finale takes on an entirely fresh character when kept strictly to tempo.

But Norrington is significantly slower than usual in the trio, allowing the wind solos to be phrased with extra eloquence, the Turkish interlude of the finale, where the march acquires a real militaristic tread and the tenor soloist is for once given the space to deliver his lines expressively, and in its ensuing fugato to give extra power to the first entry of the full chorus.

The chorus was Norrington's faithful Schütz Choir of London, and the stylish quartet of soloists Edith Wiens, Linda Hirst, Patrick Power and David Wilson-Johnson. The ultimate test of any interpretative innovation lies in its ability to penetrate to the core of a work. Setting historical niceties aside, was this Ninth as stirring as a performance with massed choirs and luxuriant orchestral sound? There was little doubt of that. Norrington's approach was intrinsically dramatic. Every detail was directed towards bringing the music to life as vividly as possible and it gelled with thrilling precision.

Andrew Clements

ARTS GUIDE September 16-22

MUSIC

London

Beethoven Plus is a series of concerts between September 18 and December 10 which seek to set the composer's music in the context of his own time. The work of over 30 of Beethoven's contemporaries will also be featured. Royal Festival Hall; Queen Elizabeth Hall, Purcell Room. (928 3191).

Academy of St Martin-in-the-Fields conducted by Neville Marriner, with Murray Perahia (piano). Cherubini, Beethoven. Royal Festival Hall (Mon) (928 3191).

City of London Sinfonia conducted by Richard Hickox, with Eiddwen Harrhy (soprano), Alfreda Hodgson (contralto), Philip Langridge (tenor), John Graham-Hall (tenor), Donald Maxwell (bass), London Symphony Chorus. Schubert, Mozart. Barbican Hall (Tue) (638 8891).

Royal Philharmonic Orchestra conducted by Antal Dorati, with Edith Wiens (soprano), Della Jones (mezzo-soprano), Robert Tear (tenor), John Tomlinson (bass), Brighton Festival Chorus. Mozart, Beethoven. Royal Festival Hall (Wed) (928 3191).

London Symphony Orchestra directed by Friedrich Gulda (piano). Mozart, Gulda. Barbican Hall (Thur) (638 8891).

Academy of St Martin-in-the-Fields conducted by Sir Neville Marriner, with Murray Perahia (piano). Weber, Beethoven. Royal Festival Hall (Thur) (928 3191).

Picardy region

The first festival of cathedrals of European music takes place from September 16 to October 2. Britain is the guest of honour for 1988. London Mozart Players and London Choral Society, London Bach Orchestra and London Bach Chorus, Scottish Chamber Orchestra and Picardy's regional orchestra and choir will be performing in the Saint-Quentin basilica, in the cathedrals of Beauvais, Noyon, Senlis, Laon and Amiens and in other churches and chapels of the region.

Vicenza

Vicenza Festival. Madrigals of Love and War (Guerrieri et Amorosi) by Monteverdi performed by the Concerto Ensemble conducted by Roberto Gini. Teatro Olimpico (Mon) (54.61.11).

Vienna

Wiener Mozart Orchestra. Mozart. Sofiensaele (Wed).

Vienna Philharmonic Orchestra conducted by Leonard Bernstein, with Wolfgang Schulz (flute). Beethoven, Bernstein, Brahms. Konzerthaus (Thurs) (72 12 12).

Berlin

Munich Philharmonic Orchestra conducted by Sergiu Celebidache. Schubert, Tchaikovsky. Philharmonie (Wed).

Cologne

Staatsphilharmonie Rheinland Pfalz conducted by Leif Segerstam, with Anne-Sophie Mutter (violin). Strauss, Berg, Mahler. Philharmonie (Mon).

Orpheus Chamber Orchestra with Heinz Holliger (oboe). Mozart, Strauss, Elliott Carter, Ives, Tchaikovsky. Philharmonie (Thurs).

New York

New York Philharmonic conducted by Zubin Mehta. Webern, Schönberg, Schubert. Avery Fisher Hall, Lincoln Center (Mon).

Washington

National Symphony conducted by Mstislav Rostropovich. Bernstein, Haydn, Brahms. Kennedy Center Concert Hall (Mon). Mstislav Rostropovich conducting Mozart, Sallinen, Grieg. (Tue, Wed, Thur) (254 3776).

Tokyo

Tokyo Philharmonic Orchestra conducted by Herbert Kegel. Mahler. Suntory Hall (Mon) (371 5101).

Deutsche Bachsolisten play Bach. Suntory Hall (Tues) (289 9999).

Tokyo Metropolitan Symphony Orchestra, conducted by Yuzo Toyama, with Yoshio Unno (violin). Beethoven, Shostakovich. Tokyo Bunka Kaikan (Thurs) (822 0727).

OPERA AND BALLET

London

Royal Opera, Covent Garden. Elijah Moshinsky's 1987 production of Mozart's Seraglio returns to the Covent Garden repertory. Jane Glover makes her house debut as conductor, and the cast includes Mariella Devia, Deon van der Walt and Robert Lloyd. The savagely exotic and fascinating Andrei Serban production of Turandot has Gwyneth Jones in the title role and Edward Downes as conductor.

English National Opera, Coliseum. First new production of the ENO season is David Pountney's radical staging of La Traviata. Mark Elder conducts, and Helen Field, Arthur Davies and Alan Opie are the principals. Pountney's ugly, coarse-grained modern-dress Carmen sports at least a fine cast (including Jean Rigby, Jacque Trussel and Sergey Leiferkus) and conductor (Yan Pascal Tortelier). The limply staged wartime-in-Mussolini's-Italy Tosca production by Jonathan Miller has the vivid Janice Cairns in the title role, Edmund Barham, and Malcolm Donnelly (836 8161).

Sadler's Wells. On September 20, Michael Clark, enfant terrible of post-modern dance, starts a season with his own peculiar tribute to William and Mary. Not for the squeamish (278 8916).

Paris

Opéra. Verdi's Rigoletto conducted by Alain Lombard/Alain Guingal returns to the Palais Garnier after 18 years' absence with Neil Shicoff/Taro Ichihara as the Duke of Mantua, Alain Fondary/Manuguerra as Rigoletto and Alida Ferrarini/Christine Barbaux as Gilda (474 25750).

Vienna

State Opera. In repertory: Pelleas et Melisande, conducted by Claudio Abbado, with Frederica von Stade, Christa Ludwig, Malcolm Walker. Tanz-Schule, Ballet (Première), by Mauricio Kagel, conducted by Arturo Tamayo, with Ballet d'Action. La Fanciulla del West conducted by Anton Guadagno, with Waltraud Winsauer, Silvano Carolli. Otello conducted by Adam Fischer, with Gabriela Benackova, Margarita Lilowa, Georg Tichy. L'Italiana in Algeri conducted by Claudio Abbado, with Georg Tichy, Agnes Baltsa, Patrizia Pace (51444, ext 2660).

Volksoper. In repertory: Die lustige Witwe, conducted by Konrad Leitner. Gasparone by Millocker, conducted by Rudolf Bibl. Der Freischütz, conducted by Dietfried Bernet. Tiefland by d'Albert, conducted by Konrad Leitner. Ein Walzertraum by Oscar Straus, conducted by Rudolf Bibl. Der Opernball by Richard Heuberger (51444).

Berlin

Deutsche Oper. Götz Friedrich's production of Falstaff has fine interpretations by Karan Armstrong, Carol Malone, Ingvar Wixell and Wolfgang Brendel. Elektra returns with Ruth Hesse, Ute Vinzing, Hans Beirer and Gerd Feldhoff. Katja Kabanowa has a strong cast led by Patricia Johnson, Karan Armstrong, Helga Wisniewska and David Griffith.

Hamburg

Staatsoper. Der Troubadour features Sharon Sweet, Ruza Baldani, Leo Nucci and Harald Stamm. The revived production of Eugen Onegin, sung in Russian, is the highlight of the week. The cast stars Bernd Weikl in the title role, Karita Mattila, Daphne Evangelatos and Kurt Moll. Der Barbier von Sevilla brings Cellila Bartoli, Leo Nucci, Giorgio Tadeo and Jewgenij Nesterenko together.

Cologne

Opera. Gounods' Faust has its première this week, produced by Willy Decker with costumes by Martin Ruprecht. In the main parts are Josef Protschka, Ferruccio Furlanetto, Ludwig Baumann and Ashley Putnam. Das Gauklermarchen, composed by Gerhard Konzelmann received controversial reviews on its première last week. Die Italienerin in Algier is a competent repertoire performance.

Bonn

Opera. Semiramide, the first première this season, produced by Pier Luigi Pizzi, has an interesting cast led by Cheryl Studer in the title role, Kathleen Kuhlmann and Jean-Phillippe Lafont. Graham Vick's successful production of Don Pasquale is revived with Rolando Paneral, Angela Maria Blasi and Bruno Pratico.

Frankfurt

Opera. Il Barbiere di Siviglia stars Alice Baker and Alessandro Corbelli. Grace Bumbry is accompanied by Jonathan Morris in a lieder recital. Fidelio, with Michal Shamir, Reiner Goldberg and Douglas C. Johnson, rounds off this week.

New York

New York City Opera (State Theater, Lincoln Center). The week features the world première of Jay Reise's Rasputin, which was commissioned by the company, and is conducted by Christopher Keene and directed by Frank Corsaro, with John Cheek in the title role. The week also includes the season's new production of Rigoletto, conducted by Elio Boncompagni and devised and directed by Tito Capobianco, along with Lucia de Lammermoor, Rasputin, Die Zauberflöte and La Traviata. (496 0600).

Success or Failure

BATTERSEA ARTS CENTRE

To one side of the stage huddles a gentle dosser. We have seen him before in other plays – the figure whose alienation from Thatcherite values is so complete as to have earned him *ex machina* status. Yet he remains the most interesting character in Gloria Hamilton's rough-and-ready musical morality play: the wry commentator on a street world that confuses values with the price of ganja and maintains the difference between success and failure is the difference between kicker and kicked.

The Baron is definitely a kicker – the loving father, though hardly exemplary husband, who thumps £500 down on the table each week by way of domestic appeasement. In his other life, he is Mr Bad – pimp, drug runner, nightclub boss – who hooks the girls with easy money, then makes them work for it. Again it is a familiar starting point for a plot which brings him to his come-uppance via a pick-up who just happens to be an old friend of his wife's.

Victor Romero Evans and Hamilton herself direct a play which for all its ramshackle structure and received ideas, has its moments. The use of Tony Marshall as Dosser is a case in point – he weaves in and out of the action, at one point conspiratorially offering a drugs-runner a toy pistol, and singing songs which put the pursuit of money in its proper, ludicrous context. Tom Eyre's score works here where elsewhere it founders in a structural uncertainty: a soul number delivered by Julie Saunders as the gullible good-time girl Denise has lyrics so derivative of a Stylistics' hit that one must assume the take-off is deliberate. The words "You make me feel brand new" in the context of a meeting with a pimp are clearly intended ironically, but there is a danger of the irony backfiring when the song does not seem brand new at all.

The cast themselves set about their work with the sort of energy one has grown to expect from Umoja over the years – A.J. Simon, as the Baron, effects some lightning costume changes to make the transition from loyal man-about-the-house to cut-throat king of the streets, and seems as yet more comfortable as the former than the latter. Elaine Grant plays the long-suffering Joyce with a suck of the teeth that becomes a wilful tut-tut as she turns the tables on him. Her transformation from housekeeper to (honest) businesswoman effectively turns the play into a fairy story, plucking the sting from its tail as we always suspected she would.

Claire Armitstead

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Partnership in training

The UK Government's plan to set up local industry training councils, with responsibility for matching training to job creation in local labour markets, is in general a welcome development.

One of the strengths of the West German training system is the role chambers of commerce play in designing and delivering training. In some large cities in the US, private industry councils have very effectively brought together schools, colleges and businesses to develop training targeted at the needs of local industry.

Britain could benefit from such a local infrastructure of employer-based training. Employers in Swindon, which has experienced a rapid growth in service jobs in recent years, have different skill needs from those in Skelmersdale. They certainly face different labour market pressures: Swindon has close to full employment, while male unemployment in Skelmersdale is still close to 20 per cent.

Managed properly, the councils could create what Britain sadly lacks: a collective, grassroots commitment from employers to tackle their shared training problems.

But the precedents are not encouraging. Local Employer Networks, which were launched in 1986 to encourage employers to develop more stable relations with the education service, have got off to a stumbling start. None of the 105 so far set up are self-financing as originally planned; many are playing only a limited role.

Under-investment

To avoid local training councils suffering a similar fate, the Government must give them a proper training budget. The Government's white paper on training, to be published in November, should ensure that a substantial part of the Training Commission's £3.1bn budget is dispersed to the local councils. Without it they could become just another talking shop.

But training is not a purely local issue. The recent OECD survey of the British economy, was the latest in a long line of reports which have identified a national under-investment in skills, which needs to be addressed nationally. To be effective, local initiatives will have to work in tandem with a national strategy, developed by a national agency.

Mr Norman Fowler, the Employment Secretary, last week announced that the Training Commission, the only agency capable of developing and delivering such a strategy is to be abolished. He has offered little justification for this move. The Commission has developed a range of training programmes which will play a permanent role in the labour market: it may be cumbersome, but it has not been ineffective.

New agency

The Commission will be replaced by a new national agency. But as yet the Government has not given any reason why it should not simply be renamed the Training Corporation.

What attracted most attention was Mr Fowler's announcement that he was removing the policy-making powers of the Training Commission's 10-strong governing body. This had become inevitable after the TUC Congress two weeks ago voted to boycott the Employment Training programme, the Commission's largest programme. It would be impossible for the TUC's three appointees to the governing body to continue to take responsibility for a programme they were committed to boycott.

But by sweeping away the governing body, rather than just the TUC's nominees, Mr Fowler has also excluded the CBI, local authorities, and the education sector from having a say in training policy.

Tri-partism lasted at the Training Commission for very good reasons. The Government needs the support of employers, unions, local authorities, and voluntary organisations to deliver its training programmes. If Mr Fowler is not to endanger their support for future initiatives, he should make clear what role they can expect at a national and local level in advising the Government over training policy.

Iraq defies the world

ON FRIDAY the Iraqi Government informed the UN that it would not admit to its territory a team of experts charged with investigating the alleged use of chemical weapons by its armed forces against the Kurdish population. That is hardly surprising, but should increase the pressure for sanctions against Iraq which has been building up on both sides of the Atlantic. Although the Turkish government for obvious reasons of state is now turning a blind eye to the reports of its own army doctors, the US Government has said publicly it is convinced that Iraq has used chemical weapons against the Kurds, and the UK Government admits that the evidence is "compelling".

Already on Thursday the European Parliament had condemned Iraq for the use of chemical weapons to "exterminate" thousands of Kurdish civilians. It called on the 12 member states of the European Community to suspend immediately all weapon deliveries to Iraq, as well as the export of material usable for the manufacture of chemical weapons.

This week in Washington the US House of Representatives is expected to approve a sanctions bill which is less sweeping than the Prevention of Genocide Act passed by the Senate, but which would still have immediate effect in obliging the US to block all loans to Iraq from multilateral institutions, and in banning all US exports to Iraq of weapons and militarily applicable technology, as well as all new contracts for US imports of Iraqi goods of any sort.

Loss of income

Sanctions invariably cost something to the party applying them. Export sanctions mean loss of income, and possibly jobs, at home – specifically, in this case, for farmers across the US, for defence industries in France and other European countries, and potentially for contractors in almost every industrialised country hoping to join in Iraq's post-war reconstruction programme. Credit sanctions may mean that outstanding credits to the country in question have to be written off: an estimated $1.9bn from the US; $2.4bn from Turkey; much larger sums from France, and presumably from the Soviet Union, to say nothing of Iraq's Arab creditors who are most unlikely to apply sanctions in any case.

Import sanctions in a buyer's market, which the oil market still is, may not significantly raise the price for the home consumer in the short term; but they may jeopardise long-term relationships with a supplier. And even aid sanctions involve forfeiting whatever presumed benefit motivated the decision to grant aid in the first place: in this case political influence in what has now emerged as the strongest military power in a strategically sensitive region.

Outrageous

For all these reasons governments are reluctant to be pushed into confrontation with Iraq. But the last consideration really cuts the other way, and should be decisive. President Saddam Hussein of Iraq has survived a war of his own making very largely thanks to the international support he received. He is now behaving as though this international support had been mobilised not (as it in fact was) to end the war without decisive advantage to either side, but to assure him victory on his own terms; and as though he can now afford to take it for granted no matter how outrageous his behaviour.

In the peace negotiations his delegates appear to have forgotten all about the UN Security Council resolution which Iraq insisted, for a full year, must be applied to the letter and "in the strict order of its paragraphs". In his treatment of the Kurds he is brushing aside demands for an inquiry into allegations of chemical warfare, a subject of acute concern to the international community.

If ever a country was vulnerable to sanctions Iraq should be now, having survived an exhausting war by mortgaging its oil revenues for many years to come. If ever there was a case when states that have helped a foreign government needed to prove that their support was not unconditional, this is surely it.

Robin Pauley assesses Mikhail Gorbachev's Asia-Pacific proposals

When Moscow looks east

Mr Mikhail Gorbachev, the Soviet leader, made a speech in deepest Siberia on Friday which ruined the weekend for thousands of government officials around the world. In Washington, Peking, Japan, Tokyo, New Delhi, Seoul, Pyongyang and Manila, to name but a few of the interested capitals, the lights burned late as papers were hurriedly prepared for ministers and presidents anxious to know what on earth it meant – if it meant anything at all.

Mr Gorbachev's wide-ranging speech was principally about Soviet foreign policy in Asia and the Pacific region, an area of the world where the US and the Soviet Union – and increasingly Japan – are competing for influence. It expands his ideas for *détente* in Asia, floated in a similar speech in Vladivostok in July 1986, which, he feels, had a disappointing lack of results. Like many of his set-piece addresses, it encompasses a mass of ideas, making it difficult to find the likely wheat among the heap of obvious chaff.

What is clear is that Mr Gorbachev has again exercised his consummate skill at taking the initiative. At a point when US influence in the region is widely perceived to be in relative decline, he has put Washington on the spot at the worst possible time. The US is in the middle of its presidential election campaign; it is also embroiled in difficult negotiations over US bases in the Philippines, the outcome of which could significantly affect its naval role in the Pacific.

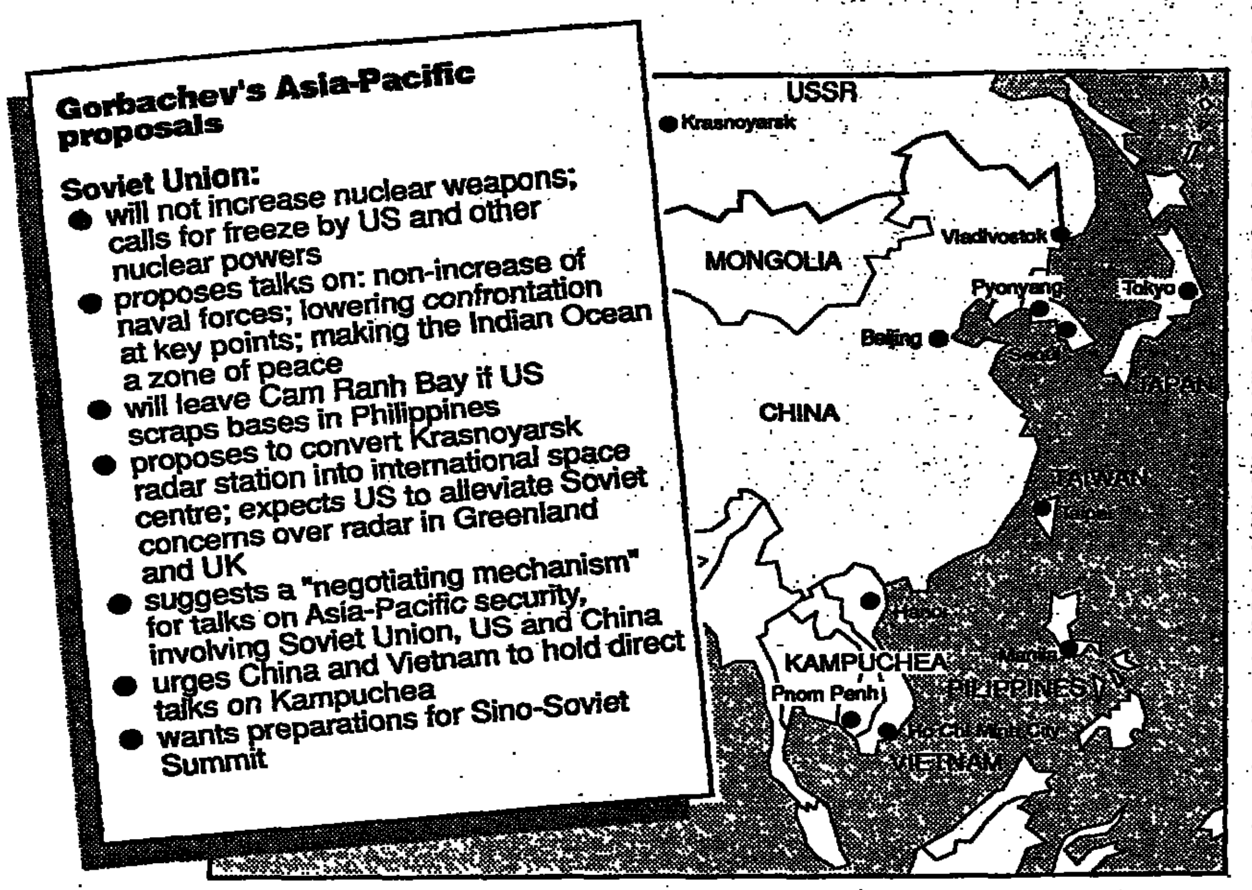
At the same time, Mr Gorbachev is persisting in his pressure on Peking for warmer relations and the first Sino-Soviet Summit since 1960. Yesterday he got the best response so far when Mr Li Peng, China's Prime Minister, said guardedly that a summit could take place if lower level meetings bring the two sides closer together.

Yet behind the headlines about summits and base closures, the real key to the speech may be as much economic as strategic. If the Soviet Union could improve its diplomatic and economic links with Tokyo and the rapidly expanding Asian economies, Moscow would, at one bound, achieve a number of long cherished aims. It would become a major strategic player in the region; allay anxieties about its desire for regional dominance; and help its own vast country enormously, particularly its impoverished east Asian regions.

Thus far, Mr Gorbachev's aim of gaining more access to Japanese technology and finance has been thwarted. His nimble foreign policy, melting Cold War grievances, has managed to achieve only a slight thaw in the icy field of Soviet-Japanese relations. The Soviet occupation since 1945 of four islands in the Kuriles chain remains a fundamental dispute. Because of this, Moscow and Tokyo still have not signed a peace treaty ending the Second World War.

The two most eyecatching elements in Mr Gorbachev's proposals, however, were an offer to close Soviet bases in Vietnam if the US closes its bases in the Philippines; and a proposal relating to a controversial Soviet radar station in Krasnoyarsk, the Siberian city 2,000 miles east of Moscow where Mr Gorbachev chose to make Friday's speech.

This huge radar station, 30 storeys high, is seen by the US as an obstacle to progress in the Geneva talks aimed at halving US and Soviet arsenals of long-range nuclear weapons. The US claims the radar station will provide the foundation for an anti-ballistic missile defence banned by the 1972 ABM Treaty.



The Soviet Union says it is anxious to get the Geneva talks moving. Last October it offered to stop construction; last month it offered to dismantle the radar equipment – if the US committed itself to the ABM treaty for 9-10 years and accepted an interpretation of the treaty which would effectively stop it from testing and deploying the Strategic Defence Initiative in space.

On Friday Mr Gorbachev offered to turn the radar station into an international study centre. The quid pro quo this time is that the US should take "corresponding steps" over its radars in Thule, Greenland, and at Fylingdales on Britain's Yorkshire moorlands, which, according to Moscow, contravene the 1972 treaty. The initial US response remains "no chance". Mr Gorbachev will now, however, be able to claim that he has offered three separate ideas, one involving dismantling the station, within the last 12 months. Meanwhile, he still has an important radar facility tracking traffic over the North Pole.

The offer to close two Soviet bases in Vietnam in return for US abandonment of its bases in the Philippines is not new. But Mr Gorbachev is bringing it up again at a difficult moment for the US. With the presidential election only two months away, the White House and State Department are increasingly paralysed by the campaign. And negotiations over the future of the US bases in the Philippines are deadlocked.

There are six such bases, but two which really matter: Clark air base and Subic Bay, the US Navy's key location in the Asian Pacific. The leases run out in 1991 and renewal talks have not begun. The current negotiations are a "review" of the terms for the two years to 1991, with the US offering to raise the present payment of $180m a year to $502m a year and the Manila Government demanding $1.2bn a year.

The talks are going badly; last week the US warned the Philippines that it will pull out – probably rebasing at the much less strategically useful island of Guam at a cost of more than $10bn – if Manila does not moderate its demands.

The Philippines Government claims to be sanguine about the threat, although a US departure would blow a great hole in the fragile local economy. The Japanese might fill part of that economic hole – but so too might the Soviets. As Mr Gorbachev spoke last week a Soviet trade delegation was arriving in Manila. It is

It is Japan which may be the real long-term target of Mr Gorbachev's diplomacy. It is an economic superpower, yet only 1.5 per cent of its exports go to the Soviet Union

pushing for more trade. But it is also strongly restating a Soviet request for its shipping to be allowed to make use of the docking facilities at Philseco, situated in Subic Bay of all places. The Filipinos are listening attentively, to the annoyance of the US.

Mr Gorbachev's offer to close Cam Ranh Bay naval and Da Nang air bases in Vietnam, both former US bases, again looks good in propaganda terms. But is hardly a balanced swap for Clark and Subic. The Soviet Union has ports on its own eastern coast which could be expanded as replacements, and the electronic monitoring which has been done from Cam Ranh can increasingly be done by satellite.

There is a great deal of ho-hum, if not hokum, in the 90-minute speech. The call for all powers to freeze nuclear weapons in the Asia Pacific region is old and will not be accepted by the US; likewise the call for a non-increase of naval forces in the region. This is merely part of the hot air which Mr Gorbachev uses to inflate these set-piece policy speeches.

But close examination of the speech suggests that Mr Gorbachev wants the Soviet Union – which, unlike the US, has territory and borders in Asia – to be accepted as a major power in the region. Closer economic links to dynamic economies such as Japan and South Korea would follow. This would alter the regional balance of power at the expense of the US. Though Mr Gorbachev was careful in this speech – unlike the one at Vladivostok – to emphasise that the US had a role to play in Asia, Washington's influence would diminish if the region's free states no longer thought it necessary for the US to guarantee their freedom.

China is crucial to the Soviet goal. It contains more than a billion people, a quarter of the world's population: a huge potential market. It is a country with good relations with the US and slowly improving links with Japan. Mr Gorbachev is keen to restore relations between the two Communist superpowers. On Friday, he was careful to express more respect for China than hitherto, and acknowledge it as an important Asian power. He wants a summit with Deng Xiaoping, the ageing Chinese leader, as soon as possible, as a prelude to full political and economic co-operation. This might, perhaps, eventually include joint economic ventures between the Soviet Union, China and Japan on the path towards Mr Gorbachev's dream of big-power co-operation within the region. He would particularly like such developments in the eastern "Asian" Soviet Union.

The speech also set out to woo South Korea. One of the proposals boils down to lowering tension wherever borders converge around the Korean peninsula. This would pave the way for the Soviets to build an economic relationship with South Korea, a goal currently blocked by the hostility between the two Koreas.

But it is Japan, underplayed throughout the speech, which may be the real long-term target of Mr Gorbachev's diplomacy. It is an economic superpower, yet only 1.5 per cent of its exports go to the Soviet Union and 1 per cent of its imports come from there (substantially behind China and South Korea on both counts.)

Japan recently abandoned the ceiling of 1 per cent of GDP on its military expenditure; though still well under 2 per cent of GDP, this is now the world's third largest military budget. Japan's regional military presence will be visibly strengthened by its commitment to protect its own shipping lanes for 1,000 miles around its islands.

Japan's economic strength is resulting in a more confident regional foreign policy. The yen is a great ambassador. China, which gets 70 per cent of its foreign aid from Japan, has just been offered $6.2bn in loans for 1990-95. The deep wounds of the past between the two countries are slowly healing over (although each still carelessly scratches the scab from time to time).

Similarly, in countries like Thailand and Indonesia, which had anti-Japanese protests in the 1970s, commercial links are growing fast; the Philippines fêtes potential Japanese investors; the Japanese are queuing up in Bangkok in the hope of establishing new links with the changing countries of Burma and Vietnam.

This is all taking place against a background of close Japanese co-operation with the US in many areas, in spite of the sharp exchanges over trade. If Moscow can edge its way in, it would hope to benefit from Japan's economic and technological prowess while creating a new era of regional power co-operation. Such an achievement would change all the balances – diplomatic, economic and military – to its own advantage.

In truth, frosty relations between Tokyo and Moscow have already improved slightly. Trade is rising. Japan's former Prime Minister Mr Yasuhiro Nakasone visited Moscow last month and the atmosphere was warmer than for some time.

Mr Gorbachev's complaint on Friday that Japan is increasing its military potential at the behest of the US evoked a mild rebuke from the Japanese foreign ministry. More importantly, the Japanese welcomed Mr Gorbachev's desire for stronger ties. For them the test of sincerity is simple; it could be met as soon as tomorrow. In his lengthy canter around the obstacle-strewn course of foreign policy in Asia, Mr Gorbachev made not a single mention of the Kurile Islands, the key to transforming relations with Japan and thus the Soviet position in the region.

As it happens, Mr Sosuko Uno, the Japanese Foreign Minister, and Mr Eduard Shevardnadze, the Soviet Foreign Minister, are both in New York for the UN General Assembly tomorrow. They have scheduled a meeting, at which the Japanese will discover whether there is any wheat for them in Mr Gorbachev's chaff.

Additional reporting by Stewart Fleming in Washington, Quentin Peel in Moscow and Richard Gourlay in Manila.

OBSERVER

New caution in Texas

■ "Arab states are impressed by conservatism," said Dr Odeh Aburdene at the weekend. "And that's why they will be impressed by Robert Abboud. He's a prudent banker."

Abboud certainly is losing no time in developing new ambitions for First City Bankcorporation of Texas, the group that was bailed out by the Federal Deposit Insurance Corporation and Abboud and his business associates. "We're recapitalised now and we're starting with a clean balance sheet," said Aburdene, who arrives next week to take over at its London branch and will have responsibilities for the UK, Europe, the Middle East and Africa.

Abboud has always been said to prefer working with a small number of people. Aburdene is one of them. He was with Abboud at First Chicago in the 1970s and again at Occidental Petroleum in the first half of the 1980s. Abboud left both places as a result of policy disagreements, but at least in the case of First Chicago he may have been vindicated by events. He refused to go in for the kind of generous borrowing to the Third World that subsequently led other US banks into trouble. "That," according to Aburdene, "is what Arab states will remember."

There will be a heavy Texas emphasis in the bank's new dealings. "Texas is an energy state that has begun to recover," Aburdene said. "We'll be mainly serving US companies in Texas that operate abroad, but also looking wider." Aburdene's Middle East qualifications include a spell as adviser to the Arab Monetary Fund in Abu Dhabi. Neither he nor Abboud is originally from Texas, and that in a way marks one of the biggest changes of all since the state got into difficulties after the fall in oil prices: Texas is no longer run by Texans. Aburdene expects the price to settle at a little over $20 a barrel around 1991.

Papal brief

■ Pope John Paul II and Sir Geoffrey Howe had a lot to talk about – Northern Ireland apart – when they met in Maputo last night. Like the British Foreign Secretary, the Pope has been on a five-day African tour and the two men both arrived in Mozambique on Saturday. It is not known what the latter thinks about sanctions against South Africa, since he gave an equivocal answer when asked by an Italian newspaper. Howe may have probed a bit further. The pair last met in Brussels some years ago.

The Foreign Secretary's safari ends today. The accompanying press corps has already marked its appreciation by presenting him with an ebony model of Graham the Ugandan hippo, whose quality of imperturbability he seems to share. The card refers to a memorable encounter between a political heavyweight from Downing Street and a heavyweight of the jungle.

Discretion

■ Morgan Grenfell, which mark its 150th anniversary this year, has decided to postpone one of the events with which it proposed to celebrate: the publication of the company history.

The work was written by Kathy Burk, an historian at Imperial College, London. It was due to be published this month by the Oxford University Press, but Sir Peter Carey,

"No, Madam – the SDP conference is further down the promenade."

Morgan's chairman, decided that last year's Guinness affair is still too much of a live issue. Morgan found itself in the thick of the scandal, and many of the protagonists, including a former member of its own corporate finance department, may yet have to face trial.

Burk spent three years writing the book. She says that it is "full and frank" and that Morgan stood by its pledge not to censor it. The narrative extends to July 1987 and thus includes the climax of the scandal and the top management shake-up that followed - all of it based on interviews with those concerned as well as the Bank of England.

The work will still see the light of day, but probably not until 1990 or 1991 by which time it is hoped that the Guinness affair will have run its course. Meanwhile, Burk has other irons in the fire. She will shortly be publishing an account of the first privatisation of British Steel in the 1950s: in time to coincide with its re-privatisation next month.

Floating bids

■ One of the world's more unusual properties has attracted a heap of inquiries since it was put up for sale 10 days ago. It is the 200-room, seven-storey resort hotel which floats in a coral lagoon by Australia's Barrier Reef.

Built in Singapore, it was hauled to the Queensland coast on board a heavy carrier and anchored offshore, some 90 minutes' boating time from Townsville. It opened in March, several months late, having survived an unexpected cyclone. Few resorts offer quite the same attractions: an underwater observatory of a spectacular marine environment and a floating tennis court, for examples.

It has been less than a success commercially. Currently operated by the Four Seasons group, the hotel has suffered occupancies as low as 12 per cent and an average of only 20 per cent way below the 50-60 per cent level needed to break even.

The owners, Barrier Reef Holdings, claim they are selling it because they are property developers not hotel operators, but admit they are putting it on the market earlier than originally planned. John Fox, who is handling inquiries, says that there have been 250 so far, of which seven are from "seriously interested" parties.

Poor Currie

■ Edwina Currie, the very junior health minister, has lowered her profile. She is no longer accepting lunch invitations without them being first referred to her new boss, Health Secretary, Kenneth Clarke. Perhaps Clarke thinks that room should be made for that other publicity-seeker now at the Health Department and late of the Foreign Office: David Mellor. Personally, we prefer Currie.

Terry Dodsworth and Andrew Fisher on the forklift truck industry after the sale of Lansing Bagnall

Trundling back from recession

Few examples of the impact made by the UK's devastating recession of 1980-81 stand out more sharply than the drastic response of Lansing Bagnall, the country's leading forklift truck manufacturer. Much earlier than most other UK manufacturing companies, Lansing decided to cut back – and there were no half measures. In a single year, the Basingstoke-based group reduced its output by 60 per cent and its 5,000-strong labour force by 40 per cent.

Lansing's move was later followed by other UK producers. Indeed, there is a school of thought that this period of sudden contraction delivered a body-blow to the UK manufacturers from which they have never recovered.

In the immediate aftermath of the recession came the demise of Coventry Climax, a company that had gone through the hands of a series of owners before its collapse and absorption by Kalmar of Sweden. This weekend, the effects of the slump were being blamed in part for Lansing's decision to sell out to Linde, the West German group which has emerged as the European industry leader in the 1980s.

"There was a recession throughout the European industry in the early 1980s," says Mr John Allenby, Lansing's deputy chairman, "but it was much more severe in the UK than elsewhere. Those years were a watershed for the UK forklift manufacturers."

Lansing's merger with Linde, still subject to regulatory approval, will end one of the most enduring entrepreneurial success stories of the post-war era. The company was founded in the early 1940s by the late Mr John Sharp and Sir Emmanuel Kaye, now 73 and still in charge of the private Kaye Organisation which owns Lansing. In the 1950s and 1960s it became the leading manufacturer in Britain.

In the last few years, however, Lansing has seemed to lose its touch. Its growth began to stall. Two acquisitions which might have given it the sort of scale that Linde has now achieved both proved troublesome – the first when a rescue consortium organised by the Kaye Organisation was forced to put Coventry Climax into receivership, and the second when a variety of problems emerged at Saxby in France, acquired in 1985.

Executives in the industry are surprised that Sir Emmanuel has agreed to the takeover because in the past he has jealously guarded the company's independence; he has also championed the virtues of private companies, free from the short-term pressures of the stock market. But the move fits in with a long process of creeping rationalisation among European producers.

This streamlining has been led by the West German industry, particularly by Jungheinrich, which has invested heavily in new plant, and Linde, which has grown rapidly through acquisition. Linde, a highly diversified group with other interests in process plant, industrial gases and refrigeration, has built up its position domestically through the purchase of Still and Wagner, while overseas it established a strong position in France with the takeover of Fenwick Manutention.

The deal with Lansing will establish Linde's dominance of the European scene, adding its own industrial truck sales of around £530m to the UK company's £235m. Jungheinrich is less than half this size, while Lancer Boss, the other leading UK company, had sales last year of only just over £100m.

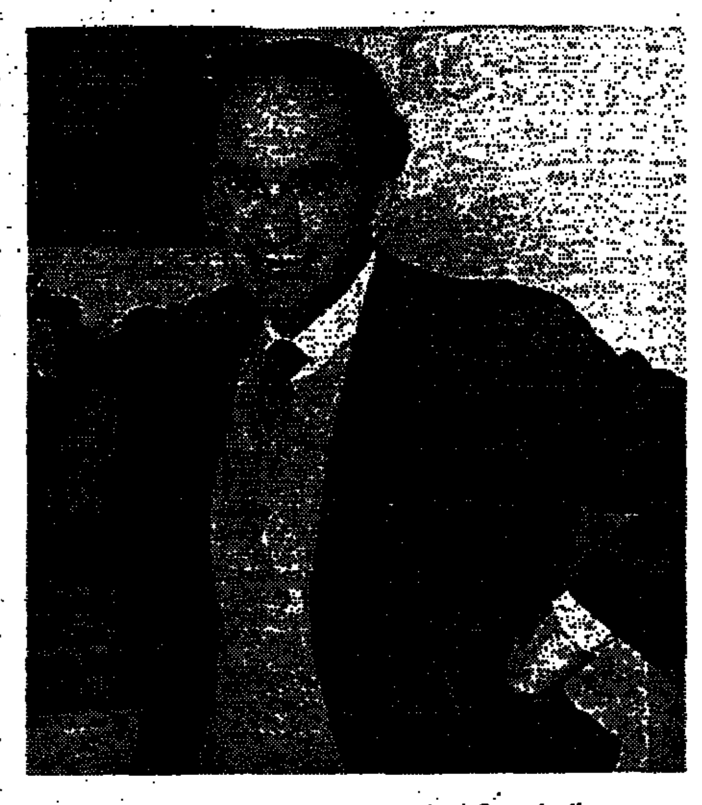
This restructuring of the industry is partly a response to chronic overcapacity worldwide. Until the 1970s, the forklift industry expanded effortlessly. Its machines were needed everywhere to service growing assembly lines and the increasingly important distribution industries. But then came a slowdown in the growth of manufacturing, a change to new methods of materials handling, and finally the emergence of new competitors from Japan and Korea.

"There are just too many companies in the world-wide forklift truck industry at present," says Mr Trevor Bowman-Shaw, vice chairman of Lancer Boss. "There has to be further rationalisation."

UK producers have had a particularly difficult struggle in coping with the market shakeup for several reasons:

● Foreign manufacturers have for many years had a strong position in Britain, initially in the shape of US companies such as Hyster, Yale (formerly Eaton), Caterpillar and Clark – able to maintain strong pressure on prices through scale economies.

More recently, European and Far Eastern producers were given the opportunity to consolidate their position in the UK by the strength of sterling in the early 1980s. Overseas products flooded into the Britain at that time, with the result that imports have leapt from about 30 per cent of sales in 1980 to 60 per cent today. Once established, it has proved hard to dislodge the importers because they have now developed strong relationships with distributors.



Sir Emmanuel Kaye, chairman of the Kaye Organisation

● The British industry has suffered from the agonising decline of the UK motor industry and the problems of much of the associated engineering sector. In West Germany, the strength of these heavy manufacturing businesses has provided a basic underpinning for the materials handling companies; by contrast, Lansing says that its main market in the 1980s has been in the distribution sector, textiles and footwear.

Turnover of world forklift truck makers

Company	Country	D-Mark 1986 (millions)
Balkancar	Bulgaria	2,546
Linde	W.Germany	1,372
Toyota	Japan	1,146
Hyster	US	1,059
Clark	US	838
Jungheinrich	W.Germany	747
Komatsu	Japan	742
Lansing	UK	732
Yale	US	518
Mitsubishi	Japan	475
Crown	US	457
Nissan	Japan	376

Source: Flottenmarkt-Journal

● UK manufacturers, heavily export oriented in the 1960s, have latterly stagnated in overseas markets. Both Lansing and Lancer Boss produce equipment in Germany, but they have not expanded their European operations as rapidly as their foreign competitors. Some executives say that the uncertain, strike-torn environment of the 1970s forced British companies to focus on their domestic problems rather than their opportunities for international growth. "We became obsessed by component shortages and problems with our suppliers," says one manager.

● The combination of a flat market, competitive prices and erratic exchange rates conditions, have squeezed profits in the UK industry, restricting the ability to invest in the future. Just at the point when Lansing was cutting back in the early 1980s, for example, Jungheinrich was embarking on a £60m expansion plan which is now two-thirds complete, and which will double its capacity. Linde has invested about £30m a year in its materials handling division since 1985.

Lansing is a private company which is not particularly free with its figures. But it concedes that the financial hammering it took in the early 1980s has reduced its cash flow and hence its ability to invest in new production methods. Indeed, it has only just launched a modest £14m spending programme on new manufacturing techniques. "The company has been losing market share steadily in the 1980s," says one of its main European competitors, "mainly because it is not able to manufacture at an economic cost."

● Some executives also argue that the UK Government's economic policies have made it difficult for British companies to establish a consistent management approach. Mr Bob Bischof, head of Jungheinrich's UK operations, says that the Barber boom in the early 1970s gave West German companies a golden opportunity to break into Britain because the local manufacturers could simply not cope with demand; two bouts of sterling appreciation in the 1980s have had a similar effect.

Given these sharp market cycles, Lansing has probably chosen an ideal moment to throw in its lot with Linde. The materials handling market worldwide is booming at present, with forklift truck production likely to exceed comfortably the 100,000 units achieved last year, itself the best figure since the peak year of 1979. Asset valuations are therefore higher than for several years: indeed, Lansing, which made profits of around £6m in 1986 (the company will not give figures for last year) is rumoured to have cost Linde about £150m.

Lansing, however, does not see the sale as a retreat, although two of its senior executives will retire to run the other activities of the Kaye Organisation in the motor and building trades. Sir Emmanuel will become president of Lansing, and the company is already talking of expansion with help from Linde.

According to Mr Allenby, Lansing is aiming to double its unit output over the next three to five years through a process of rationalisation within the Linde group. The product lines of the two organisations are to be reorganised to maximise throughput at each of the group's three plants in Germany, France and the UK. "We shall be able to reduce our material costs and our manufacturing costs," he says.

In addition, he argues that the amalgamation will give the new group a better geographical spread – one which is more appropriate to the demands of the genuinely open market in Europe planned by the European Community in 1992. In its new shape, the Linde-Lansing organisation will have a commanding position in West Germany and the UK, with a strong foothold in France, and tentacles in most other markets.

There is widespread recognition in the British industry of the strength of this argument, although this view is tinged with regret that another of the UK's potential European leaders is being sold to an overseas company; comparisons may be drawn with the sale of Ferguson, the TV setmaker created by the late Sir Jules Thorn, to Thompon of France.

"Sir Emmanuel is one of the great post-war British industrialists," says Mr Geoffrey Robinson, the former British Leyland executive and present Labour MP for Coventry North West. "But I hope that the sale will not set a pattern for other British companies in the face of 1992."

LOMBARD

Putting insiders inside

By Richard Lambert

IF THE CHAIRMAN of a public company phones with the news that he is about to receive a takeover bid at twice the market price, and you immediately buy all the shares you can, you are guilty of insider dealing. Correct? Not if the Appeal Court on September 26 rules against an attempt by the Attorney General to overrule an adverse finding in a lower court. In that event, Britain's insider dealing laws – which in terms of successful prosecutions have had very little impact since they were introduced in the 1980 Companies Act – will be made to look ridiculous.

The case hinges on that familiar aspect of the English judicial tradition – the literal interpretation of statute law. The Company Securities (Insider Dealing) Act of 1985 says, among other things, that someone who has price information about a company "which he knowingly obtained (directly or indirectly)" from someone connected with that company should not deal in its shares. Straightforward enough. Ah, but what does the word "obtain" mean? Judge Butler in the lower court turned to his Shorter Oxford Dictionary and found the definition "to procure or gain, as the result of purpose and effort."

Passive recipient

In the case in question, the accused had been the passive recipient of price sensitive information from a connected party. He made no personal effort at all to discover the good news: it simply fell into his lap in the course of business. Therefore, he did not obtain it – and he was acquitted. You must not bribe the company chairman to reveal all, but if he happens to let it out over the golf club bar, then all is well. Where does this leave the financial conglomerate, which combines corporate finance and share dealing activities under one roof?

Common sense suggests that parliament intended a looser meaning for the words "obtained from." But this is not an argument to try on Judge Butler. Common sense is, he agrees, "a precious commodity, but it is often only in the last resort, when analysis and reason fail, that refuge is sought in what he who adduces the argument would call common sense."

There is an argument that none of this matters: that insider dealing is a victimless crime, and that attempts to legislate against it are bound to run into endless problems of definition and of proof. The UK is not alone in finding it difficult to nail insider dealers: for all the ballyhoo in recent weeks, the US authorities have had very little success over the years in bringing prosecutions.

Useful function

The more enthusiastic supporters of the efficient market theory (or at any rate those who survived the October crash) go even further. They suggest that insider dealers provide a useful function in bringing share prices into line with the latest economic realities.

The arguments in favour of legislation are political and moral more than economic. To judge by the example of Japan, the absence of insider dealing laws does not automatically make the capital markets unattractive to private or international investors. But the abuses which flow from such freedoms can have wide repercussions.

Most citizens instinctively object to the idea of individuals taking advantage of privileged information to make profits at the expense of those who do not have access to such information. Passing legislation may not stop this trading, but the existence of legal sanctions at least makes it clear that such behaviour is not acceptable.

It is not a coincidence that the British laws have been brought in by Conservative administrations, on the correct view that their party is more vulnerable to the backwash of City scandals than the opposition. If the Appeal Court fails to overturn what even Judge Butler admits looks at first glance like a jejune argument, the Government will no doubt take whatever steps are necessary to put the issue beyond debate.

LETTERS

Some City firms are interested in private clients

From Mr Gerald Knox.

Sir, Clive Wolman (September 15) accuses the City of London of having failed the small client, and other recent articles have similarly attacked the City for having failed the private client generally.

As a firm which has always specialised in this business, we regret that we have not found the answer as to how to deal profitably with the small private client – dealing in amounts of less than £2,000 – who needs advice. Although an "execution only" service would be less expensive to operate, the present transfer system including, in particular, the problems of rights issues and other entitlements, makes a really low cost system almost impossible. (Taurus will help, but advice is always bound to be fairly expensive.)

The comparison between the insurance industry's and the Stock Exchange's approach to private clients is patently ridiculous. Insurance commissions are much higher, and the idea of trying to sell shares on the same basis would be horrifying.

However, I would like to dispel the view – apparently prevalent – that no-one in London is interested in advising the private client. There are firms which have done this for a very long time, and intend to continue to do so. Institutionally orientated firms with their high overheads may find private clients unprofitable, but there are other firms, whose systems are designed specifically to handle private client portfolio management, which do not take nearly so gloomy a view of the future – or the present.

Gerald Knox,
Brewin Dolphin & Co,
5 Giltspur Street, EC1

Textile industry restructured

From Mr J.P. Maddams.

Sir, Your article (September 13) on the problems facing the textile industry failed to mention the damaging national strike which occurred earlier this year.

A significant contributor to that strike was an archaic collective bargaining system which ought to be pulled down, along with the redundant satanic chimneys which still dot the Lancashire landscape in the north east of England. Everyone will benefit from a plant based communications system.

There is also a benefit to be derived from the strong exchange rate, even if it does make for a keenly competitive market place.

Those companies which (like our own) are re-investing in capital equipment, now seek quotations internationally, encouraged by the sterling price reductions the exchange rate affords.

For example: German doubling machinery with a local cost of DM4m would have translated into £2.34m a year ago. Today it will cost us £1.27m – a saving of £70,000. More importantly, the German price remains the same as a year ago.

Patrick Maddams,
Dunlop Textiles,
Rochdale, Lancashire.

Welfare for Palestinians

From Mr Serge Ganichot.

Sir, A news item entitled "Israel tightens the screw on inflows of PLO money" (August 25) alleged that the Welfare Association, a charitable institution registered in Geneva, Switzerland, is an "affiliate of the PLO".

As the Association's legal counsel who has advised the Association since its inception, I can state categorically and without reservation that the allegation is totally false.

The Welfare Association is a privately-funded, non-profit, tax-exempt, charitable foundation established in Geneva in 1983 in conformity with Swiss law with a view to providing humanitarian and development assistance to disadvantaged Palestinian Arab communities in their home country. The association is not affiliated with any government, official entity or political organisation, including the PLO. It does not engage in nor does it fund political activity.

Furthermore, the Welfare Association has never received any funds from the PLO. All of the association's funds are derived entirely and exclusively from donations, membership fees and income on its fiduciary investments.

Serge Ganichot,
12 rue du Mont-de-Sion
1206 Geneva, Switzerland

IT training for UK middle managers is essential

From Mr Roy Towndrow.

Sir, The British Institute of Management report "Managers and Information Technology Competence" discussed in your pages on September 12 should be on the desk of every managing director.

The British attitude to information technology training for middle managers threatens the nation's future competitiveness. This is all the more worrying in view of the move to the single European market.

The United Kingdom's annual spending on information technology training is about £150m, of which only about £4m goes on teaching middle managers how to use information technology effectively. Since there are almost 3.5m managers in Britain, little more than £1 per year is being spent on teaching each one.

In reality the situation is even worse than these statistics indicate, since a significant proportion of the £4m is being wasted. As the BIM report shows, most courses offered by training organisations in the information technology area are too general to meet companies' needs.

Our experience is that, to be successful, information technology training for middle management must be tailored to a firm's specific situation. For example, it must take account of the sector in which the firm operates as well as the character of the markets it is trying to attack.

Tailored courses, however, though essential, are not a sufficient condition for success. The information technology industry – hardware manufacturers, software firms, as well as information technology users – needs to come together to agree a common approach to information technology training. Without that, how can users have confidence that any investment they make in training is wisely spent?

At present, few of the interested parties have come together to agree on training standards or course structures. That needs to happen soon. And it need not be a lengthy process, as the recent industry-led progress on open standards in the computer hardware area demonstrates.

The momentum of Europe 1992 makes such discussions imperative, particularly if British firms want to develop a middle tier of management able to use information technology to support corporate goals and compete with their European rivals.

Roy Towndrow,
General Manager, Customer Training,
International Computers Ltd/STC plc,
Beaumont Old Windsor,
Windsor,
Berkshire.

Rumours of its death are greatly exaggerated

From Mr R.A. Fitzwalter.

Sir, I fear that Raymond Snoddy's article, "TV programme involving Press Council proposed" (September 14), which said that *What the Papers Say* "recently ended on Channel Four," may have given your readers the misleading impression that the programme is no more.

Nothing could be further from the truth. It continues on Independent Television's ITV1, with its roster of splendid journalists. Wednesday's programme (September 15) was presented by Raymond Snoddy of the Financial Times.

Ray Fitzwalter,
Executive Producer,
"What The Papers Say",
Granada Television,
Manchester

FINANCIAL TIMES
Monday September 19 1988

By Janet Bush on Wall Street

A market hungry for excitement

FRIDAY was another scintillating day on the floor of the New York Stock Exchange.

Between 10am and 2pm, the Dow Jones Industrial Average swung wildly from down 3.02 points to up 2.67 points. Then things really hotted up as the index piled on a seven point gain.

At one stage in mid-afternoon, it looked as if the "triple witching hour," when several major futures and options contracts expire on the same day, might provoke some excitement.

The Dow blipped up 12 points but then drifted back down as fear of the 2,100 level once again asserted itself on the battered psychologies of the brave few still active in the stock market. The index settled back to close with a gain of 5.87 points at 2,098.15: unadventurous but safe.

Actually, Friday's minimal movements came in very high volume – compared with many recent trading sessions – of more than 200m. That figure was inflated, of course, by the usual smattering of dividend capture strategies, some stock index arbitrage and some positioning related to expiring futures and options contracts.

From the point of view of the country as a whole, the deathly stability of the stock market over the last few months should be comforting. For Mr James Baker, now running Vice President George Bush's presidential campaign, the stagnation of stocks is nothing short of a blessing.

But for those who have to stand on the floor of the New York Stock Exchange for seven hours a day it is soul-destroying.

IBM is consistently one of the most actively traded stocks. Last Friday, there were a handful of young men in red jackets standing around the IBM specialist post, looking marginally less idle than everyone else on the floor.

Then, a knot of people suddenly started shouting and gesturing and scribbling furiously on their notepads. One specialist commented dryly: "Oh, probably a takeover stock or a rumour or something."

In fact, the excitement was all about an announcement of a joint venture to develop deposits of heavy minerals in Western Australia between Kerr-McGee and Minproc Holdings of Australia. Kerr-McGee closed unchanged at $38¾.

At one specialist post, a broker bounded up to put in an order. "Two thousand?" the specialist asked flatly. "No, two hundred," the broker shamefacedly replied.

Dealers at one brokerage last week joked about an order their desk had received from an institution which manages $2.5bn for 20 shares of Ciba-Geigy, the major Swiss pharmaceutical company, worth just over $400,000. The securities house made $92.80 on the deal.

Specialists' commissions are probably around 25 per cent down from levels before the October crash.

Mr Michael Creem, a partner of stock exchange specialist Mercator Partners, says that although volume remains much higher than 10 years ago, it still feels very quiet in comparison with the hectic last days of the raging bull market.

"It is like driving a car at 70mph and you slow down to 60mph. You are still going fast but it feels awful," he says.

One floor trader talks about his father, who also worked on the floor, who died in early 1975 after the difficult run in the stock market of 1973 and 1974. "How could I possibly explain to my dad that the Dow is over 2,000 and volume is around 125m shares a day and that things are awful?" he says.

Still, for all the gloom and the difficulty in making any money, working the floor still seems like fun.

Even on quiet days, it is a noisy, vibrant place. This is partly because the exchange's cavernous proportions amplify the sound of voices and partly because the Irish and Italians, the two tribes which dominate the floor, are not known to be short of a word or two.

There is always the election to talk about. As the Reverend Jesse Jackson found out when he rang the opening bell some weeks ago and was booed, the exchange is full of Republican voters.

If politics don't provide any interest, there is always a crossword puzzle to do or the Financial Times to read.

And there is the paging system used by brokers. These little black boxes do not beep or flash to alert the broker that someone is calling him. They vibrate. As one broker joked: "It is about the most excitement I get these days."

Swedish ruling party's win assured

By Robert Taylor and Sara Webb in Stockholm

THE SOCIAL Democrats will continue to govern Sweden with the support of the Communists after yesterday's general election, polling around half the votes between them.

But the Greens will come into Parliament for the first time with 5.5 per cent of the vote, just clearing the 4 per cent hurdle necessary to secure seats in Parliament.

However, they will not hold the balance of power as seemed likely a few weeks ago.

The Social Democrats are expected – on latest returns – to secure 44.1 per cent of the vote. Along with the predicted 5.9 per cent for the Communists, this will give the left block a comfortable majority of seats in the new Parliament.

The non-Socialist block were expected to get 41.3 per cent of the vote between them, nearly 7 per cent lower than their result three years ago.

On the basis of the returns Mr Bo Toresson, the Social Democratic party's secretary, said: "It should be possible to continue with Social Democrat policy."

The Moderates (conservatives) saw their vote fall by 3.1 percentage points to 18.2 per cent, while the Liberals slipped by 2.3 points to 12.0 per cent. Their ally, the Centre party, gained 1.2 points to 11.1 per cent.

This suggests that the Swedish electorate is not in the mood to support the centre-right block which, during the campaign, found it difficult to present a united front on several key issues. It was their worst result since the 1940s.

The result will come as a considerable relief to the ruling Social Democrats, who feared that the Greens would be in a position to make impossible demands on them if they had held the balance of power.

It can also be expected to bring some comfort to Swedish industry, which has been worried by the possibility that the Greens would exercise a strong influence on Government economic policy.

Mr Per Gahrton, Greens spokesman, said: "Our goal has been to clear 4 per cent and get into Parliament. I had never thought that we would win the high figures the opinion polls suggested."

Some opinion surveys suggested the Greens could win as much as 10 per cent of the poll, but it appears that many voters had second thoughts about backing them in the final days before the poll.

The result is regarded as a personal triumph for Mr Ingvar Carlsson who is fighting his first election campaign as Prime Minister.

Mexico begins counting cost of Hurricane Gilbert

By Roderick Oram in Brownsville, Texas and David Gardner in Mexico City

HURRICANE Gilbert, the most powerful Atlantic storm ever, petered out yesterday in north-eastern Mexico after a week-long rampage across the Caribbean in which it killed 250 people, left close to a 1m people homeless and destroyed at least $10bn of property.

As the hurricane dissolved into a tropical storm in the mountains of Mexico's eastern Sierra Madre, first overall estimates suggested that it had killed more than 200 people and caused damage which could easily cost up to $1bn in its two devastating incursions into the country last week.

As the waters receded, revealing hallucinatory images of ships on hotel lawns and fishing smacks impaled on telegraph poles, it also seemed likely that around 600,000 people had been left homeless. This is probably double the number of homeless created by the lethal earthquakes which sliced through Mexico City three years ago today.

As its malevolent forces dissipated, meteorologists said it might yet do some good. Moving as a severe storm north-west across Mexico, there was a possibility that it could bring heavy rain in coming days to the drought-stricken US prairies.

Rescue and clean-up operations are under way along its 2,500-mile track across or close by the Dominican Republic, Haiti, Jamaica, the Cayman Islands, the Yucatan Peninsula and north-eastern Mexico.

In the Yucatan peninsula, where Gilbert hit early on Wednesday, some 40 people are thought to have died. The two major international resorts of Cancun and Cozumel, which together earn about a third of Mexico's average yearly tourist receipts of $2bn, have been devastated.

Damage is estimated at more than $500m in Cancun alone which, with more than half of its hotel rooms affected, will be closed for perhaps two months. The peninsula's fishing fleet has also been badly hit.

In the northern states of Nuevo Leon and Tamaulipas, battered by Gilbert from Friday night, at least 70 and possibly more than 200 people died. In Monterrey, Mexico's third city and industrial powerhouse, scores died when the

Police in Cancun, Mexico, wade towards residents fleeing their low-lying homes, forced out by the rising flood

normally dry Santa Catarina river bed became the channel for a land-based tidal wave which swept away housing, bridges, and four buses full of inhabitants attempting to flee the hurricane.

Little damage appears to have been done either to Monterrey's industrial base or to Mexico's major oil production installations located in and on the Gulf of Mexico.

Pemex, the state oil monopoly, closed down production in the Campeche Sound which produces 1.7m barrels a day of the country's 2.5m b/d output, half of which is for export. Lost earnings, however, could exceed $100m.

The cost of repairing damage to roads, housing, water and electricity supplies, airports and telecommunications will now put further strain on infrastructure spending which has fallen 60 per cent under the 1982-88 de la Madrid administration.

The new Government of Mr Carlos Salinas, due to take office in December and weakened by a fierce election dispute, had already concluded that the infrastructure backlog would create bottlenecks in its drive for a return to sustained growth after seven years of stagnation.

Lost harvests will also bring pressure on basic grains prices already affected by this year's drought. This creates an additional obstacle for the Government's so far successful stabilisation plan. This has reduced inflation from 15.5 per cent a month in January to 0.9 per cent last month, but the plan was already beginning to suffer the effects of falling oil prices and rising international interest rates on Mexico's $103bn foreign debt.

The greatest damage occurred in Jamaica on Monday, leaving a quarter of the population homeless. The death toll was estimated at around 40 but still rising as rescue efforts continued.

The US escaped lightly as the hurricane made landfall 100 miles south of the border town of Brownsville late on Friday. None the less, three people were killed in south Texas as 65mph winds, seven inches of rain and some 20 tornadoes battered the area.

Of Brownsville's 110,000 people, 40,000 were evacuated inland while 10,000 stayed in the town's shelters which also took in some people from Matomoros, the Mexican town of 500,000 across the border.

Weather junkies stalk the wind, Page 3

Debtor countries 'must grow faster'

By Stephen Fidler,

FASTER economic growth must be achieved in the Third World before an acceptable solution can be found to the debt crisis, the World Bank said in its annual report, published yesterday.

"Progress toward an acceptable solution to the debt crisis requires a resumption of growth in per capita terms in the debtor countries," it said.

Figures in the report show that outflows of financial resources from the developing countries rose last year despite efforts to restore flows of funds to the Third World. Increasing outflows of financial resources from developing countries – along with shortfalls on output, exports and imports – "cannot be sustained in the medium-term," the Bank said.

Net transfers from developing countries – the amount by which their debt service payments exceed new loan receipts – grew to $39.1bn, according to preliminary figures, from $31.2bn last year.

Debt servicing for the poorest sub-Saharan countries was, however, unchanged on 1986, at about $7.1bn, although this was accompanied by a sharp build-up in total debt to $100.3bn from $89.6bn in 1986.

After a period of positive financial flows to Third World countries during the 1970s, the flows turned negative in 1983 and have been worsening since. This is despite the urging of bodies such as the World Bank, which sees the transfers as a block to the restoration of growth.

Nevertheless, critics of the Bank can be expected to point to the fact that in its fiscal year to June 30, it was itself the beneficiary of transfers from developing countries, totalling $1.27bn. This, it points out, was due partly to the decline in the dollar's value over the period, but also to the fact that some countries expected to draw World Bank funding, such as Brazil, Nigeria and Yugoslavia, did not do so.

The Bank also reported a sharp increase in its provisions for loan losses to $500m as of June 30, from $85.3m a year earlier, largely a reflection of a tightening of the rules on provisioning.

THE LEX COLUMN

The lure of the bargain buyout

Last week's statement by Mr John Gunn that he may consider taking British & Commonwealth private adds him to a growing roll-call of the disenchanted. Entrepreneurs generally disagree with the stock market's rating of their companies, but with equities in their present disarray some are evidently minded to challenge those ratings head-on. The snag is that among the things worrying the market, one of the most pressing is the rising cost of money. Sabre-rattling by managers is all very well, but do the sums add up any more?

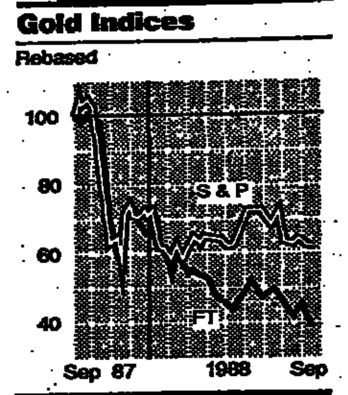
On one rule of thumb, probably not. In bald terms, the profit on a buyout can be measured by how much the pre-tax yield on the company's market value exceeds the going rate of interest. Plotted for the market as a whole, the two rates occasionally cross over, and this seems to be happening now. The stock market may be down, but not as much as interest rates are up. And leverage, of course, works both ways. Back in May, a £100m buy-out financed at two points over base would be paying annual interest of £9.5m. Now, it would be paying £14m, which in terms of cash cover makes it a different company.

A separate question for Mr Gunn – or Mr Tony Berry of Blue Arrow, or Mr Branson – is whether shareholders are happy to sell out at a loss. As in any bid, managers offering to take a company private would drive the price up against themselves, and risk the further irony of paying an excessive premium for control of a company they already run. The final twist comes in the fact that many of the institutions which own the shares are also providers of risk capital; and if the fund management department thinks it worth while to sell, it might look odd for the venture capital department to buy. None of this applies in the US, where the big buyouts are still thundering along. Indeed, last week offered the bizarre spectacle of Playtex being bought out by the same management for the second time in two years. Such a technique is unlikely to be acceptable in the UK (although it was considered in the recent case of Parker Pen); and the doctrine of heavy leverage – rejected, after all, in the bids for Dee and RHM – now looks unlikely to catch on in the UK this time round in the cycle.

With the health of the corporate structure in mind, this is surely something to be grateful for. One or two of the UK's more acquisitive conglomerates are already eyeing the US

Gold Indices

Rebased



buyout scene with pleasurable anticipation. No sense in competing against a company's management at silly prices; let them buy it out, wait for it to go bust, and pick it up at leisure.

BP Gold

BPG is a very different company from BIG, but the planned Wall Street flotation of a minority stake in BP Gold is in danger of turning out to be as big a flop as the stock market debut of Bond International Gold at the end of July. Unlike Mr Alan Bond, BP does not need the extra cash. As a result, the pricing of the issue promises to be an even more delicate matter than usual as investors try to balance BP's surprising eagerness to press ahead with a planned quote for 15 per cent of its gold business against its understandable reluctance to sell the shares too cheaply.

Apart from the similarity of the NYSE ticker symbols, BP Gold does not have much in common with Bond International Gold. Its 24m ozs of proven and probable reserves are more than four times as large, and the biggest of any non-South African company; its balance sheet has no net debt and the BP name provides some comfort both in terms of the quality of the parent and its technical abilities. This is important if, as expected, BP Gold develops its biggest prize – its 80 per cent stake in the Lihir island project in Papua New Guinea, which is one of world's biggest undeveloped gold reserves.

The combination of long life mines, an average cost of production of around $200 per ounce for the next five years, and a scheduled trebling of output to 1m ounces a year by the mid-1990s, all promises healthy earnings growth even at current gold price levels. But however good the prospective economics, the recent weakness of the gold price is a powerful depressant on investor sentiment, and with BP retaining a majority stake, the BP Gold share price is never going to enjoy a built-in takeover premium. Meanwhile, future BP managements may come to rue the flotation given the litigious nature of minority shareholders in the US. BP has plenty of excuses to pull the issue and the only casualty will be its own pride.

Warrants

To hear BTR tell it, you might think that every company which regards its shares as undervalued, and which does not mind raising a little equity capital in a few years' time, should make its shareholders the gift of a warrant or two. The argument goes that the warrant will focus the attention of the market on the company's more distant prospects, and when exercised, will bring in the sort of loyal equity capital that every company loves to have under its belt. BTR thinks the reasoning so good that it evidently plans to make last week's free handout an annual event. For the company this would mean a rolling rights issue, while for the investor, warrants with a market value handed out for free would appear to be a genuine gift.

At second sight, all this looks less persuasive. For a start the issuing of the warrant cannot create value, but only redistributes it. So while today's shareholders may be delighted to have the option of buying £130m or so of BTR's shares in three years time at today's price, by the same token this should be an expensive way for the company to raise capital. To the extent that present shareholders gain, future shareholders must lose. In a perfect market all this would be reflected in the price, the only effect being a rise in the share price between now and October 5, when the shares go ex-warrant, and a fall afterwards. However, as the market seems no more perfect in this case than it usually is, today's holders may consider themselves lucky.

The argument that the very existence of the warrants will make people look at BTR's prospects more carefully is a curious one. One wonders what the share price previously reflected if not the market's estimate of the future; and if that is out of line with BTR's assessment, the problem is surely that the company is not communicating well enough with the City of London.

Burma army takes over in bid to keep power

Continued from Page 1

return to their jobs on Monday or face disciplinary action.

The military leaders said they had abolished all former state organisations and deputy ministers had been suspended. The curfew would be enforced from 8pm to 4am and no gathering of more than five people would be permitted at any time.

It is not clear how the Army will proceed but a diplomat said last night: "If the regime still seriously believes that it can defeat the opposition, even at this late stage, then it is logical to assume that it may try to arrest some of its more prominent members.

"But the coup does not alter the fundamental dilemma for the regime. If it is going to drive the demonstrators off the streets it will have to use live ammunition, and that means ordering the troops to fire on people who may be their friends and even members of their family. It could be a desperate and very ugly situation."

The formal winding-up of the old regime had been signalled on Friday when the then President Maung Maung announced that members of the armed forces and the civil service would no longer be permitted to be members of the Burmese Socialist Programme Party which had ruled since 1963.

At the same time the commanders of two military regions were replaced.

Europe, US offered high definition TV

Continued from Page 1

munications Commission on requirements for HDTV.

Mr Shima said that the technology would have applications for films as well as possible military uses such as in satellites, because of the high quality image produced. Military exports are forbidden under the Japanese constitution.

Under the development plan for HDTV in Japan a transition stage is expected where old style receivers will be fitted with a converter so they can receive the HDTV signal.

Stressing that NHK was not required to make profits, Mr Shima said that he did not think a unified standard for HDTV was an impossible dream. Japan would fight for the idea to the end, he said.

NHK, the state-owned Japanese broadcaster, has been demonstrating the merits of its HDTV system during the Olympic Games in Seoul.

At talks between NHK executives in Seoul with Chinese and Soviet officials attending the Olympics, Mr Shima said the two Communist nations had taken a cautious approach, preferring to wait and see the attitude of US and European governments towards common standards.

The Japanese broadcaster yesterday used a satellite to broadcast live the opening ceremony of the Olympic Games on HDTV for the first time.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	-	-	-	Dubrovnik	S	21	70	Malta	S	25	77	Rhodes	S	29	84
Algiers	S	23	73	Edinburgh	S	19	66	Manchester	C	14	57	Rio de J'o	R	24	75
Amsterdam	C	18	64	Faro	-	-	-	Manila	F	33	91	Rome	F	23	73
Athens	F	32	90	Florence	F	22	72	Melbourne	F	15	59	Salzburg	-	-	-
Bahrain	C	37	99	Frankfurt	C	15	59	Mexico City	C	24	75	San Francisco	F	13	55
Bangkok	R	32	90	Funchal	S	24	75	Miami	C	32	90	Seoul	F	29	84
Barcelona	F	23	73	Geneva	F	17	63	Milan	S	23	73	Singapore	F	31	88
Beirut	-	-	-	Gibraltar	S	24	75	Montreal	R	17	63	Stockholm	F	14	57
Belfast	C	12	54	Glasgow	S	17	63	Moscow	C	16	61	Strasbourg	C	15	59
Belgrade	F	16	61	Guernsey	C	14	57	Munich	C	12	54	Sydney	R	16	61
Berlin	C	16	61	Helsinki	F	12	54	Nairobi	F	28	82	Taipei	-	-	-
Biarritz	-	-	-	H. Kong	F	30	86	Naples	F	19	66	Tangier	S	25	77
Bombay	R	27	81	Innsbruck	C	15	59	Nassau	C	31	88	Tel Aviv	F	29	84
Bordeaux	-	-	-	Inverness	C	15	59	New Delhi	F	33	92	Tenerife	S	25	77
Brussels	C	18	64	Islamabad	F	32	90	New York	C	26	79	Tokyo	C	24	75
Budapest	C	14	57	Istanbul	F	28	82	Nice	-	-	-	Toronto	F	21	70
B Aires	F	13	55	Jakarta	-	-	-	Nicosia	F	38	100	Tunis	F	23	73
Cairo	F	36	97	Jersey	C	13	55	Oporto	-	-	-	Valencia	S	24	75
Cape Town	S	25	77	Jo'burg	F	14	57	Oslo	F	19	66	Venice	S	21	70
Caracas	C	22	72	Lima	C	19	66	Paris	C	18	64	Vienna	C	15	59
Casablanca	-	-	-	Lisbon	S	24	75	Peking	S	22	72	Warsaw	C	16	61
Chicago	F	22	72	London	F	18	64	Prague	F	15	59	Washington	C	18	64
Cologne	-	-	-	Los Angeles	C	24	75	Reykjavik	R	06	43	Zurich	-	-	-
Copenhagen	F	18	64	Luxembourg	-	-	-								
Corfu	F	25	77	Madrid	F	25	77								
Dallas	F	24	75	Majorca	R	17	63								
Dublin	C	15	59	Malaga	S	24	75								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

EC tax plan opposition

Continued from Page 1

Mr Nigel Lawson, the UK Chancellor of the Exchequer, saw any likelihood that the modifications would satisfy the UK suggestion that market forces, as distinct from EC regulations, should be allowed to produce convergence between Europe's widely differing indirect tax rates.

The stance of the UK, with some discreet support from Luxembourg, plus that of Denmark which deeply dislikes both the UK and the Commission plans, is thus dimming the prospect of a Community-wide tax agreement by 1992.

Significantly, Mr Jacques Delors, the EC Commission president, refused after this weekend's Elounda Beach meeting to put any target date on tax agreement.

"This one tree of difficulty should not obscure the forest of success," he said referring to recent agreements on other aspects of the internal market.

Some Commission officials now privately predict that a group, perhaps a majority, of member states might eventually decide, of their own accord, to align their tax rates.

FINANCIAL TIMES
COMPANIES & MARKETS
Monday September 19 1988

INSIDE

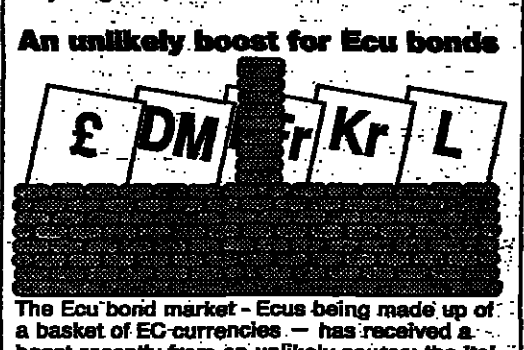
Glaxo up and down the popularity league

An extraordinary record of growth over the past decade has not saved Glaxo, the British pharmaceuticals group, from the criticism of stockbrokers' analysts in recent months. But as Sir Paul Girolami (*left*), Glaxo's chairman, unveils annual results today, he will find the City of London much more sanguine about the group's strategy and its heavy investment in R&D. Peter Marsh examines the shift in attitudes. **Page 20**

East is still East

The differences between Japanese and US companies are shrinking, claims a recent study by the Japanese Ministry for International Trade and Industry. But the evidence is far from convincing, argues Stephan Wagstyl in the Business Column. Profit maximisation may be a shared goal, but this does not necessarily mean that projects are assessed in the same way. **Page 40**

An unlikely boost for Ecu bonds



The Ecu bond market - Ecus being made up of a basket of EC currencies — has received a boost recently from an unlikely source: the Italian Government. It has raised Ecu4.25bn ($4.7bn) so far this year in Treasury bills which have emerged as a perfect swap vehicle. Ironically, it was Italy's decision to impose withholding tax on government securities that made the swaps arithmetic work. **Page 21**

Generali launches rights issue

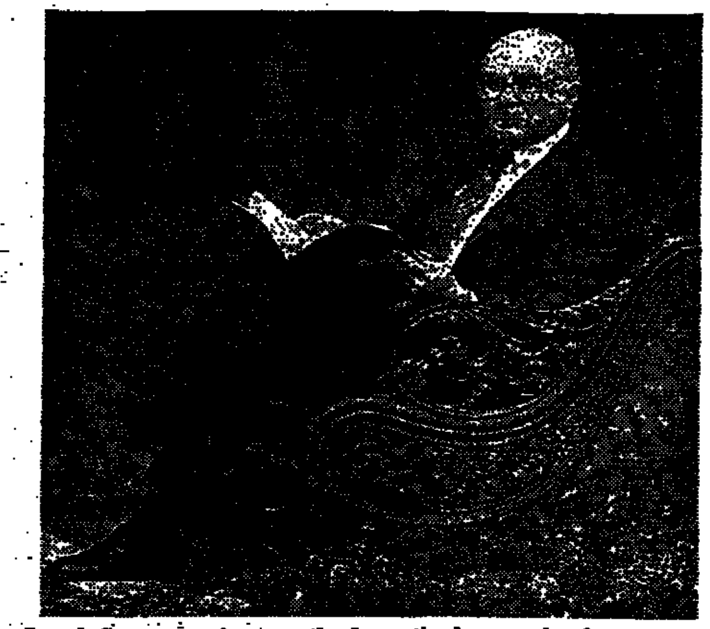
The largest fund-raising of the year on the Milan bourse is launched this morning with the huge L1,100bn ($765m) rights issue for Assicurazioni Generali, Italy's biggest insurance group and the third ranking insurer in Europe. The issue is designed to help finance a development strategy. **Page 24**

Market Statistics

Principal Companies Covered

Price Waterhouse audits its accounting standards

Richard Waters examines the changes underway at one of the world's leading accountancy firms



Joseph Connor musing over the dramatic changes ahead

Price Waterhouse, which has the largest list of blue-chip audit clients of any accountancy firm, is well versed in the ways of international companies. These provide exemplary role models for what PW plans for its own business: to turn itself into a cohesive multinational enterprise.

That may eventually include becoming a corporation with outside shareholders, though legal restrictions around the world will not allow such a move for several years.

Of the 170-odd PW audit clients among the world's top 1,000 companies, it is Royal Dutch/Shell on which the firm has chosen to model itself. The oil major's international structure closely resembles the plans for PW of Pittsburgh-born Mr Joseph Connor, who took over as chairman of the international accountancy group last week.

Mr Connor points to the Royal Dutch group's six managing directors, each of whom has considerable operational freedom. Decisions about the allocation of resources, both financial and human, are made at the centre. "We have a few more managing directors, but the idea is the same. Price Waterhouse believes in collective, collegial management," says Mr Connor.

Last week saw a substantial transfer of power from individual national firms to the international leadership for making decisions about strategy and resources. Price Waterhouse's equivalent of managing directors are the members of a new central management team, consisting of the senior partners of six major national firms, three others representing separate regions, and four representing particular functions, such as audit or tax.

Price Waterhouse has also made important changes to the financial relationship between its various national firms. Most accountants simply share the costs of their international structure, with only Arthur Andersen actually sharing profits internationally. Connor will not go so far as to say that PW has introduced such profit sharing, but says that it now has a much stronger "shared economic interest." This is believed to go substantially further than any firm other than Andersen.

Mr Connor, an urbane man who has spent his 32-year career with PW, will divide his time between PW's two head offices in London and New York. He has stepped down after 10 years running the firm's US practice to become chairman of Price Waterhouse World Firm, the legal entity that sits perched on top of the individual national PW partnerships.

International accountancy firms need to deliver internationally consistent services. Their staple product, the audit, has become highly dependent on centrally developed systems. PW's own auditing approach, which took ten years to develop, was finally adopted around the world last year.

The product life-cycle for audits is getting shorter. The next generation of auditing will use artificial intelligence to underpin the frail human judgments of individual auditors.

A second international product is likely to rival the audit in the years ahead. This is the standard methodology firms use when installing information systems for clients. The most successful firm in this field, Arthur Andersen, has had a centrally-developed standard for many years. Price Waterhouse, which introduced a common systems product two years ago, is the most eager of the accountancy firms to emulate Andersen's success in this market.

All of this demands strong central management and, quite possibly, outside equity finance. Investment in technology, and the pressure on working capital caused by rapid growth, has led a number of firms to call on their partners for greater capital contributions recently. This puts accountancy firms at a disadvantage, says Connor. "We frankly have the same needs for capital as any financial services organisation."

Raising equity capital is a long way off. In the meantime, PW is likely to raise money through debt markets. This also echoes moves by Arthur Andersen, which is the only accountancy firm so far to have raised money publicly, with an issue in the US commercial paper market.

Mr Don Hanson, in charge of Andersen's UK firm, says that his firm has no plans to sell shares. But he goes on: "It may be that we will have to seek equity finance in the long term."

To understand the significance of these moves, it is necessary to understand the history of the accountancy business (the people running the largest firms stopped calling it a profession several years ago).

Auditors are required by law to work in partnership with other auditors. They may form limited companies in several European countries, and will be able to do the same in the UK when the European Community's eighth company law directive becomes law, probably in 1990. But there will still be restrictions on ownership. Outsiders will probably only be allowed 25 per cent.

Countries like Australia have toyed with the idea of limited liability for auditors, mainly to save them from the crippling lawsuits visited upon them this decade. But others, such as the US, have yet to build up a head of steam on the matter, and a public flotation is nowhere in prospect.

Yet accountants have turned themselves from true partnerships into quasi-companies, with a separation of ownership and management. This is common at a national level: PW is now the second accountancy firm, after Andersen, to take a similar step internationally.

Canute approach to economic management

By Anthony Harris

You sometimes have to come home to get the best news. Last week a quarryman in Nottingham, England asked his local bank for a loan, and was refused. After brooding about this all night, he rose at dawn, drove off in a giant bulldozer, and demolished the bank. He was arrested while trying to leave the scene in a double-decked bus which he had borrowed.

Nottingham is the capital of DH Lawrence country, and Lawrence would surely have enjoyed turning this into a short story. It shows a physical directness which an Irish builder in my home territory in London did not quite achieve. When he was in the same fix, he merely painted the local bank branch green (and this, I should stress, I saw with my own eyes).

Both of them, though, surely deserve a place in the records as the early martyrs of the New Economics. They are simply asserting, rather forcefully, that borrowers are the best judges of how big a debt burden they can comfortably carry. This principle is firmly supported by the US and British Treasuries, which both argue that a surge in consumer borrowing and spending should be of no concern to the managers of the economy: it is simply a matter of timing, and will correct itself in due course. The standstill in US imports this year will no doubt be cited as proof.

The underlying belief was best explained to me some time ago by one of the Governors of the Fed, who put it into its general economic context.

"What do people mean when they say that consumers are saving too little?" he asked, rhetorically. "Do they mean that these people die in debt, or fail to provide for their dependents? If they mean that, they are wrong; and if they do not mean that, what are they trying to express?" (I am aware that I quoted this some months ago; but as a former editor used to say, if a thing is worth quoting, it is worth quoting twice).

There is a lot of common sense in this view. Private people are generally much more responsible in managing their budgets than governments are, and most industrial corporations can also be trusted. Financial intermediaries are a much more doubtful class, and it is no accident that as governments lose faith in their ability to manage an open economy, or lose interest in trying to do so, they tend to become more concerned with ensuring that those in the financial markets are adequately financed and prudently managed. It is debtors who go bankrupt who face governments with awkward choices bet ween deflationary failure and inflationary rescue operations.

Governments of the Reagan-Thatcher persuasion are much more comfortable with this permissive style of management than those with a more reformist cast of mind; they really do trust private markets.

Mrs Thatcher clearly believes that since she has balanced the government's budget, there cannot be anything fundamentally wrong with the British balance between income and spending, and the President believes that if only Congress would cut spending, things would be just as sound in the US. He has no urge to be a busybody, especially when everyone is out of Washington fighting an election. When things are going well he is satisfied, according to the latest reports, to sit at home watching old movies.

However, even would-be dirigistes may have little choice when it comes to demand management, unless they are prepared to cut themselves off from the modern financial world altogether. They may like to think that they control interest rates (and Mr Lawson, for one, obviously hopes that everyone else will believe that he does); but current financial theory says that this is largely an illusion.

The most that governments have at their disposal in open markets, according to the policy experts, is a few weeks in the timing, and perhaps a hundred basis points in the level of interest rates which the market would impose of its own accord. Any government which tries to go beyond these limits will be forced to reverse itself before long, probably by an exchange rate crisis. This does sound quite a plausible account of recent experience in more than one country. King Canute, who went to so much trouble to convince his courtiers that he could not control the tides, would have been glad to have as much academic support for his arguments.

However, it is one thing to believe, as Canute did, that rulers have limited powers, and quite another to conclude with Dr Pangloss that this is a reassuring conclusion, showing that all is for the best in the best of all possible worlds. Economies might run very well on a hands-off basis if all spending decisions were decisions about income flows, and nothing else. In the real world, encumbered with stocks of goods and commodities, and with assets which can be used as collateral for loans, things can go badly wrong.

Inventories and business investment have been studied for generations as the basis for business cycle theory; but there may be some reason to be relatively complacent about this. Current fashions in computerised management and just-in-time materials flows probably have damped down the inventory cycle, and investment is being driven fairly steadily by advancing technology. Nowadays, then, more attention is being paid to financial values and their wealth effects.

Mr Alan Greenspan at the Fed likes to point out that there is nothing abnormal about the relation of US consumer debt to net wealth, even though its growth has run ahead of that of incomes.

It is not always clear whether he regards this as a reason for being unconcerned about the growth of consumer debt, or for worrying about the trend of financial values; most of the time he seems to regard markets as rational and trustworthy, but sometimes - as he showed rather dramatically a year ago - he thinks markets need cooling down.

The Bank of England is in much less doubt on this question: it clearly believes that income and spending should grow roughly in step. Sometimes the Bank moves quite openly to check the stock market, and it worries out loud about the inflation of British house prices.

It seems a pity that the Treasuries in both countries seem content to leave most of the worrying on this issue to the central banks, because Treasury officials might find it easier than any bankers could to see the central problem: that capital values can be spent without actually being realised. Asset inflation generates debt and deficit because the market values are constantly monetised through borrowing.

Bankers, who regard collateralised lending as the soundest of sound business, are probably incapable of seeing the inherent risk in this. Legislators, who have in the past limited stock market margins, for example, sometimes show clearer understanding.

For the moment, the question does not seem pressing in the US, where the financial markets and the property market have shown no very strong trend since they stabilised after the October crash:

Economics Notebook

Washington's dollar policy

THE KEY is from where you measure it, was the message of the US Administration last week as it clarified its attitude to the dollar's appreciation this year.

The dollar has risen 16 per cent against the D-Mark and by 12 per cent against the yen since its low point in late December. That, says that the conventional wisdom in Europe, poses a serious threat to the erosion of trade imbalances.

But, as it explained at a meeting of senior G7 officials, Washington does not see it quite like that.

In its assessment of the appropriate level for the dollar, the slide in the aftermath of the October stock market crash is seen as an abberration - a temporary spike.

As the fall was shortlived, it had little impact on trade flows. Instead, the recent strong improvement in the US trade position reflects the competitive gains flowing from the dollar's earlier, pre-crash, fall.

So from Washington's perspective the best starting point is mid-October 1987. From there the dollar has risen about 2 per cent against the D-Mark and by about 4 per cent against the yen - hardly enough to wreck the adjustment process.

US officials are dismissive of the International Monetary Fund's judgement that the narrowing of trade imbalances will come to an end in 1989.

Forecasts by the Fund, which by convention assume unchanged policies and exchange rates, are said to miss completely the dyanamics of both the structural changes in the major economies and of the G7 co-ordination process.

The Administration's view is that there is plenty more adjustment in the pipeline. It was particularly heartened by the steep fall in imports during July, which it cites as evidence that import-substitution as well as export growth is now playing its part in closing the trade gap.

But none of this should be taken as signalling that Mr Nicholas Brady, the new Treasury Secretary, is likely to favour a further dollar appreciation. The US concern is not to maintain a strong dollar so much as to prevent a disruptive fall which could spill over into bond markets.

Meanwhile, Mr Alan Greenspan, the Fed chairman, arrived in Basle last week with a briefcase full of his customary detailed assessments of the latest US economic indicators.

The private conclusions he offered his fellow central bankers were much the same as those already drawn by the markets - for the time being, last month's rise in the discount rate is judged sufficient to contain inflation.

Foreboding

Back in London it is not hard to detect a sense of foreboding among British policymakers.

The markets may have been unchacteristically stoic so far, but the Treasury appears to be bracing itself for even more bad news.

The unspoken message is that it is not only the inflation rate - which looks set to rise to 7 per cent by the beginning of 1989 - that may get worse before its gets better.

A further bulge in the trade gap may also show up in the next few months before a downward trend can be established. The August figures could turn out to be as bad, if not worse, than July.

M0, the narrow money supply measure which is still taken seriously by the official Treasury, also looks set to career further outside its target range.

If the markets take either indicator as a signal to sell sterling, Mr Nigel Lawson, the Chancellor, will have to respond with base rates of 13 or 14 per cent.

Even with a tighter monetary squeeze, he will also face pressure to provide a reassuring signal of his intentions on the stance of fiscal policy next year.

Despite the official smokescreen over mortgage interest rates, the underlying pace of inflation has accelerated. The Retail Price Index minus mortgage interest payments shows a rate of 5 per cent in August, up from 4 per cent nine months ago. It was Mr Lawson who once said that the inflation rate would be the "judge and jury"

So if the Treasury can honestly deny that the IMF has told it to reverse this year's tax cuts, it will be hard put to quarrel with the Fund's view that fiscal policy will have to share the burden of curbing inflation.

It is, of course, too early for anyone to make serious judgements about whether or not Mr Lawson will be able to cut taxes next March. It is hard to see him forsaking the chance to lop another 1p off the basic rate of income tax.

But he will have to give a broad indication of his intended fiscal stance in November's Autumn Statement. Alongside its revised forecast for the budget surplus expected this year - now likely to be around £10bn ($17bn) - the Treasury has to pencil in a working assumption for 1989/90.

To satisfy the markets that second figure will have to be at least as large as the first.

Philip Stephens

THIS WEEK

THE MAIN features of financial market interest this week will be Britain's August money supply figures which will be published by the Bank of England tomorrow and Wednesday's publication of US consumer prices.

Figures for the rate of growth of M0, the narrow measure of Britain's money supply which includes mostly notes and coins in circulation, is forecast to rise in the month by 0.9 per cent, to give an annual rate of increase of 7.7 per cent, according to a consensus of forecasts provided by MMS International, the international financial analysis company.

The coming week is one which includes a host of US economic indicators and ends with a meeting of the Group of Seven finance ministers in Berlin on Saturday ahead of the annual meetings of the International Monetary Fund/World Bank, and a meeting of the OPEC pricing committee on Sunday.

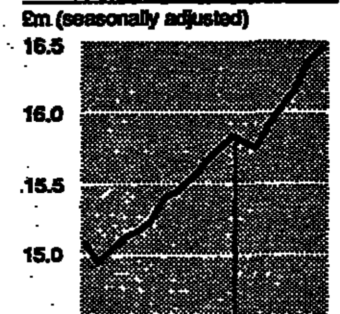
Japanese second-quarter figures for real gross national product are due out today and should show a continuation of strong underlying year-on-year growth in excess of 6 per cent. The quarterly figure, however, should be down on the previous quarter's extremely strong outturn.

Figures for August US consumer price inflation will be published on Wednesday. With the recent trade and employment data appearing to discount fears of overheating they are not expected to affect markets unduely. According to MMS, analysts expect a 0.4 per cent rise in prices during the month to give a yearly rate of inflation of 4.1 per cent, the same as in July.

Other US figures which should give an indication of the strength of domestic demand are housing starts on Wednesday and durable goods orders on Friday. August housing starts are expected to be down slightly on July and durable goods are expected to rebound modestly from July's 7 per cent fall to be up 1.3 per cent in August.

Sterling Mo

£m (seasonally adjusted)



In West Germany, the Bundesbank is due to publish money supply figures for August, possibly tomorrow. The July figure for M3, the broad monetary aggregate, showed it moving nearer its targeted range of between 3 and 6 per cent for the year, and interest will focus on whether the reduction to an annual rate of below 7 per cent has been maintained.

Also expected this week are trade and current account figures for July. Both have been showing continued high surpluses this year, as the weaker D-Mark has stimulated exports.

In France, July industrial production and trade for August are due to be released. The latter may well prove sensitive for the franc.

Tomorrow: Revised US real GNP and GNP deflator; Federal Open Market Committee.

Wednesday: US Housing starts and building permits; US personal consumption and personal income.

Thursday: Australian money supply (August); US Federal Budget.

Sunday: G10 meeting, Berlin.

UK COMPANY NEWS

Still some scepticism over R&D plans

Peter Marsh examines Glaxo's return to favour with some analysts

THE CLOUDS appear to be lifting for Glaxo, Britain's biggest drugs company. It might appear strange that a company with its record over the past decade, in which it has jumped from virtually nowhere to become the world's fourth largest pharmaceutical concern, has much to worry about.

Nonetheless Glaxo, which today announces its financial results for the year to June 30, has been through a rough patch in which many industry analysts have questioned its strategy.

There has been particular criticism of Glaxo's stance on research and development, an activity which it intends to expand significantly over the next five years. Onlookers have also questioned whether the company's high expectations for a series of drugs passing through its development pipeline are realistic.

Some of the concern, however, appears to have evaporated in recent weeks, partly because of promising reports on research associated with two Glaxo products due to enter the market in the 1990s, and which the company hopes will have big sales. One of the formulations, known as GR38032, is aimed at treating mental problems and also nausea associated with cancer therapy. The other, GR43175, is for migraine sufferers.

Another factor behind the warming towards Glaxo has been a stabilisation in the currency fluctuations which, due to the four-fifths of Glaxo's turnover accounted for by non-UK markets, have damaged the company's earnings over the past year. The company had been particularly hit by the high dollar.

Sales of Glaxo's main products, including Zantac, the smash-hit anti-ulcer formulation which has been mainly responsible for the company's leap up the pharmaceutical league table in recent years, have also been holding up well.

Analysts, many of whom have in recent weeks lifted their estimates for the 1987-88 figures, are now predicting a pre-tax profit of around £830m on sales pushing £2bn.

That compares with a £746m profit and sales of £1.7bn for the previous 12 months. Those results had been worse than many onlookers had expected. They were followed by a rapid decline in the company's share price; helped on their way by the stock market crash last October, the shares tumbled from about £18 last summer to less than £10 by the end of the year – a level where they have hovered since then.

Not all the doubts about Glaxo have been dispelled. Some analysts continue to be sceptical about the plans for R&D, an area in which the group wants to double spending to about £450m a year by 1993. By this time it aims to employ 5,500 research staff, up from 4,000 now. The company also aims to spend £1bn over the next few years building new laboratories in the UK, the US and Japan.

Mr Robin Gilbert, an analyst at James Capel, a London stockbroker, says he is unsure whether Glaxo is spending the extra research money wisely. According to Mr Gilbert, the company could run into problems managing the extra scientists it plans to recruit. That could lead to innovative ideas becoming stifled by layers of bureaucracy.

Other onlookers are more relaxed about this aspect of the company's operations. They argue that R&D is the life blood of any pharmaceutical company and that in expanding in this area – where in the past Glaxo has not been among the world's biggest spenders – the UK group is simply catching up with other leading companies such as Merck of the US and Switzerland's Ciba-Geigy.

Another point, according to Mr Jonathan de Pass, an analyst at Robert Fleming Securities, is that much of Glaxo's R&D is bunched at the late stages of drug development, where clinical trials involving tests on many thousands of patients make the work inherantly expensive.

Furthermore, many of Glaxo's products in the development pipeline (see table) are aimed at long-term disorders such as heart disease and mental problems. For products related to such chronic illnesses – where patients would be expected to receive medications for many years as opposed to a few weeks for ailments such as infections – tests concerned with the drugs' interaction with the body over long periods are inevitably more complex and so cost more.

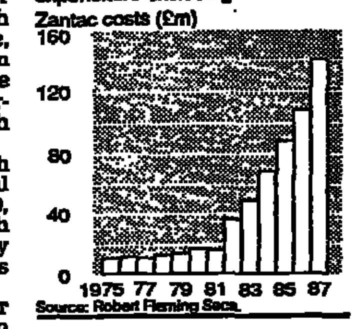
Many observers believe the stream of jittery reports about Glaxo over the past year have been an automatic reaction to the company's run of success. Others say the high share price last summer was a result of extremely bullish views of Glaxo's future growth which could not possibly be fulfilled.

According to Ms Lindsay Jenkins, an analyst at the London office of Morgan Stanley, the US bank, the more sober assessments today of the company's likely fortunes are generally realistic but are bound to conflict with the wildly over-optimistic predictions in mid-1987.

Another factor behind the generally adverse views of Glaxo in recent months is the sheer weight of comment related to the company, whose £7bn market capitalisation adds up to about 2 per cent of the value of the entire London stock market. As a result of Big Bang, the number of analysts in London covering the company's fortunes has jumped from fewer than 20 at the beginning of the 1980s to more than 50.

About one thing few people, including those within Glaxo itself, disagree. This is that the company is almost certain to run into management problems in the future of a kind experienced by any company which is growing quickly. Sir Paul Girolami, Glaxo's chairman, has gone out of his way recently to scotch ideas that the company can keep on expanding at the rate of recent years. Mr Stephen Buermann, an analyst at the New York office of Merrill Lynch, sums up: "The company will find the next ten years considerably more difficult than the last ten."

Glaxo
Research & development expenditure excluding Zantac costs (£m)



Source: Robert Fleming Secs.

GLAXO DRUGS IN DEVELOPMENT DUE FOR LAUNCH IN 1990s

Drug	Condition	Stage of trials
GR38032	Schizophrenia/anxiety*	Early/middle
GR39032	Intestinal disorders*	Early/midddle
Sufotidine	Ulcers*	Early/middle
GR50360	Depression†	Middle
GR63178	Cancer*	Middle
Salmeterol	Asthma†	Middle
GR32191	Thrombosis†	Middle
Interleukin-2	Cancer*	Middle
GR43659	High blood pressure†	Middle/late
Fluticasone	Inflammation*	Middle/late
GR43175	Migraine*	Middle/late
GR38032	Nausea§	Late

§ Drug aimed at short-duration ailment
* Drug aimed at mixture of short-duration and chronic illnesses
† Drug aimed purely at chronic illness

Source: Robert Fleming Securities

Ipeco to dispose of loss-maker

FIRST-HALF results of Ipeco Holdings, manufacturer of specialist products for the aviation and defence industries, improved on those of the second half of 1987, but showed a decline from the figures of the corresponding period.

That was largely due to Airlec, the cargo handling equipment business, which continued to make slow progress in achieving market acceptability for its electrical technology. It suffered pre-tax losses of £734,000 (£363,000) and is to be sold.

Taxable profits in continuing activities slipped from £1.37m to £1.07m, but Polymeric Composites made steady progress towards profitability. Group turnover increased to £6.89m (£4.75m). After tax of £119,000 (£351,000), earnings on continuing activities were 2.53p (3.22p). The interim dividend is halved to 0.5p.

The directors said that, with the exception of Airlec, order books throughout the group remained encouraging.

McBride at £3.5m

Robert McBride Group, domestic bleach, detergent and toiletries maker, achieved pre-tax profits of £3.49m in the seven months to July 3, against £3.05m for the six months to June 1987.

Net turnover was £63.24m (£33.57m). Earnings amounted to 5.78p (5.06p) per 10p share.

Tavener profits fall

Tavener Rutledge, confectionery manufacturer, experienced lower profits from exports due to the strength of sterling and the costs of launching a range for adults in the six months to June 30. Despite sales up 8 per cent from £4.48m to £4.86m, profits fell from £102,074 to £23,481.

The directors said current trading in the UK was encouraging, but with 30 per cent of sales exported the outlook had to be viewed with caution. Earnings per 20p share came out at 0.81p (3.53p).

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:
Needler Group (Buildings)
Prestwick Holdings 7¼pc Conv. Pref. shs. (Electricals)

CORRECTION

AB Ports

Associated British Ports lifted its interim dividend from 2.5p to 3.5p, not as stated in Friday's report.

GrandMet disposal nears agreement

By Maggie Urry

GRAND METROPOLITAN, the UK brewing, food and hotels group, expects to reach agreement in principle to sell its Inter-Continental Hotels chain by the end of the month, if not sooner. The sale should raise up to £1.1bn in total after tax, a profit over book value of some £500m.

Mr Allen Sheppard, chairman and chief executive of GrandMet, said yesterday that talks were continuing with five possible buyers, of which four were either consortia or partnerships. "I could be standing on the edge of this cliff for another two weeks," he said.

Mr Sheppard added that he was more concerned with the net figure received for the hotel chain than the gross price. The structure of any deal could affect the amount of tax payable, so the highest gross offer might not be the best deal for shareholders, he explained.

If the sale goes through at the expected price GrandMet – which has often been a heavily-borrowed company – would have net cash in the balance sheet, even if its current I£332m (£284m) bid for Irish Distillers succeeds.

As for plans to spend the cash, Mr Sheppard said: "We are not so devoid of ideas that we would have to buy our own shares. We have a very clear strategy of where we want GrandMet to be by the year 2000."

Accord in loss midway

WITH NORMAL trading patterns disrupted by reorganisation involving the creation of a new subsidiary, Accord Publications, USM-quoted greeting card maker, turned in a pre-tax loss of £255,000 for the first half of 1988.

The result was struck after an exceptional debit of £224,000 – the direct costs of creating Network Greetings – and compared with a £73,000 profit last time.

Sales were virtually unchanged at £3.65m (£3.48m), while operating profits fell from £99,000 to £80,000. Interest payable took £111,000 (£26,000). Because of the seasonal nature of the greeting card business however, only a small proportion of the group's annual profit is made in the first half.

Following the acquisition of an 80 per cent stake in Xpressions and the creation of Network Greetings, the group now comprises four operating companies each with a range of products targeted towards a particular niche in the overall market.

Mr Richard Horton, the chairman, said he believed the new group structure provided a good base for future growth.

The interim dividend is unchanged at 0.8p. Loss per share was 2.6p (0.7p earnings).

W Bedford not paying interim

The fall in sales continued into the first half of 1988 at William Bedford, Winchester-based USM antique dealer.

Pre-tax profits for the six months fell from £523,000 to £152,000 on turnover down at £1.26m against £2.11m. Earnings came out at 2.1p (7.1p) and the interim dividend is passed (1.65p).

Directors said the strength of the pound appeared to be the reason for the sales decline.

Hewitt falls to £121,000

Continuing reduction in margins hit profits at J Hewitt & Son (Fenton), refractories group, in the half year to end-June.

Although turnover improved marginally to £4.81m, pre-tax profits more than halved to £121,000. Earnings dipped to 1.7p (3.9p) but the interim dividend is a same again 1p.

The directors said that the second half should show higher sales and profits.

Desoutter warns on margins

Desoutter Brothers (Holdings), precision mechanical engineering group, lifted pre-tax profits by 22 per cent to £3.6m in the first half of the year. External sales advanced 13 per cent to £22.79m.

However, Mr Roger Desoutter, chairman, warned that margins in the second half would be affected by the "present high value of sterling".

An interim dividend of 3p (2.7p) will be paid from earnings of 18.04p (15.06p).

Sintrom boosted by acquisitions

Boosted by acquisitions, Sintrom, computer services and peripherals distribution group, reported pre-tax profits ahead from £603,000 to £823,000 in the half year to end June. Turnover rose £3.13m to £12.88m.

The directors said further acquisitions were being sought in the UK and Europe.

Earnings per 10p share were 5.6p (4.4p) and the interim dividend has been raised to 0.9p, against 0.75p last time.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Antler, Brent Chemicals, Coats Viyella, Delaney Grp., ESS Grp., Holmes Protection, Jacks (Wm.), Klearfold Inc., Memec, Metsec, Morgan Crucible, Paragon Comm., Ransomes Sims & Jeff., Renown Inc., Tarmac, Trinity Intl., Tysons (Contractors), Waterford Glass/W'ford Wedgwood.

Finals- Armour Trust, Benchmark, Bryant Grp., Cantors, Estates Prop. Inv., GT Japan Inv. Tst., Gabicci, Glaxo, Green (E.) & Partners, Ind. Fin. & Inv., Pennant Props., Really Useful Grp.

FUTURE DATES

Interims-	
Allied Partnerships	Sept.28
CI Group	Sept.29
City of Oxford Inv.	Oct. 19
Clogau Gold Mines	Sept.22
Etam	Oct. 6
Food Inds.	Sept.22
Haden MacLellan	Sept.23
Int. Inv. Tst. Jersey	Oct. 7
MBS	Sept.28
Needler Group	Sept.27
Finals-	
Barry Wehmiller	Oct. 3
Caird Group	Sept.29
Closs Bros.	Sept.22
FII Group	Sept.28
Halstead (James)	Oct. 4
Irish Glass	Sept.20
MAI	Sept.28
St. David's Inv. Tst.	Sept.22
Strong & Fisher	Sept.22

FINANCIAL TIMES STOCK INDICES

	Sep. 16	Sep. 15	Sep. 14	Sep. 13	Sep. 12	Sep. 9	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs.	86.62	86.81	86.90	86.79	86.67	86.60	91.43	86.28	127.4	49.18
Fixed Interest	95.61	95.63	95.49	95.53	95.34	95.63	98.67	94.14	105.4	50.53
Ordinary	1422.5	1422.0	1416.5	1409.8	1401.7	1398.5	1514.7	1349.0	1926.2	49.4
Gold Mines	173.8	176.4	176.6	175.9	176.6	183.8	312.5	173.8	734.7	43.5
FT-Act All Share	915.49	916.63	914.46	910.61	904.40	901.25	978.58	870.19	1238.57	61.92
FT-SE 100	1766.7	1769.3	1765.1	1756.3	1744.6	1738.4	1879.3	1694.5	2443.4	986.9

INTERNATIONAL CAPITAL MARKETS

EUROCREDITS

US borrowers look abroad for support

THE TREND for US borrowers to establish and broaden their relationships with non-US banks is intensifying. The latest US borrower to tap the international loans market is MCA, which calls itself the biggest entertainment concern in North America with assets including Universal Studios.

It has asked National Westminster to arrange a $500m five-year credit to "establish a core group of international relationship banks to support MCA into the 1990s."

The standby financing, extendable at the bank's option to seven years, is aggressively priced. It carries an annual facility fee of one-sixteenth per cent (6.25 basis points) and a margin on drawings of 12.5 basis points, rising to 17.5 for drawdowns over 50 per cent.

There appear to be several reasons why US companies are making such moves, not least of which is the growing international nature of their business. MCA is, for example, likely to build Universal Studios theme parks in both Europe and Japan.

The changes in bank capital requirements and the constraints felt most particularly by US banks also mean that standby financings are more tightly priced in the international market than in the US domestic market, although the difference may only be two or three basis points.

Bankers at European institutions also claim American corporate treasurers are according increasing importance to the fact that the world's most highly rated banks are now concentrated outside the US.

Marketing this line, European banks increasingly see the US as a legitimate target for their international loans business. NatWest, with eight such deals to its credit this year, is one of the more successful banks in translating this into deals, although Credit Suisse First Boston heads the field with 10.

One aspect of the deal has caused controversy among bankers: a cap on increased costs. Most loan agreements allow for a renegotiation of fees in the case of increased capital costs for lenders. The MCA deal is unusual in that it places a lid on these costs, at 16.25 basis points, 10 basis points above the original fee level.

At a time when banks are scrutinising their off-balance-sheet exposure because of capital costs, this cap is regarded by some as risky.

Yet while in some bankers' minds the cap is pitched at an aggressive level in a financing that is tightly priced anyway, others doubt whether increased cost clauses offer much protection for banks anyway. Bankers struggle to find examples where banks have reopened negotiations on such an issue.

CSFB is introducing a new concept to the Euro commercial paper market: a programme which is expected to finance the European receivables of Union Carbide of the US. A special purpose company, Hifin, will buy the receivables, with an average life of 60 days, and finance them through the ECP market.

The programme is backed by an irrevocable letter of credit from Credit Suisse and the pool of receivables, from Eastern and Western European customers of Union Carbide, will follow certain guidelines and be overcollateralised.

The letter of credit facility is being syndicated among banks. It carries a maturity of three years, a facility of fee of 15 basis points for year one and 12.5 basis points thereafter. The margins on drawings vary between 20 and 27.5 per cent basis points.

The paper is expected to carry a triple A rating. Issuance is expected to start in mid-October but it remains to be seen at what level the paper will be traded, the key to whether this is an innovation that will be used again.

Stephen Fidler

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	1,991.8	6.1	337.9	9,178.2
Prev	1,160.6	518.5	293.0	8,412.7
Other	1,202.3	0.0	542.3	2,258.4
Prev	894.5	35.5	808.7	1,741.7
Secondary Market				
US$	12,696.5	1,101.7	4,985.0	6,662.4
Prev	10,721.6	956.7	3,506.7	5,420.3
Other	15,839.5	893.5	4,718.0	23,039.4
Prev	10,693.4	774.5	4,353.7	14,891.7

	Cedel	Euroclear	Total
US$	9,726.7	27,226.9	36,953.6
Prev	8,491.8	22,438.3	30,930.1
Other	23,131.6	25,361.8	48,493.4
Prev	15,770.9	18,422.8	34,193.7

Week to September 15, 1988 Source: AIBD

INTERNATIONAL BONDS

Italian borrowing perks up flagging Ecu sector

THE ITALIAN Government's borrowing programme has provided a shot in the arm for the flagging Ecu bond market.

By the end of this month, Italy will have raised Ecu4.25bn in four- and five-year Treasury bills this year, including a Ecu1bn issue to be launched on September 28. These securities have emerged as the perfect swap vehicle, helping raise cheap, floating-rate funds in Ecu or a variety of other European currencies.

Indeed, several Ecu bond issues launched in the past two weeks, including the Ecu100m five-year bonds issued Thursday for Caisse Nationale Des Télécommunications, have used Italian Treasury bonds to effect a swap. Crédit Commercial de France, lead manager of the CNT deal, said proceeds of the bonds, which were assigned a 7⅜ per cent coupon but priced to yield 7.86 per cent, were swapped into floating-rate Swiss francs.

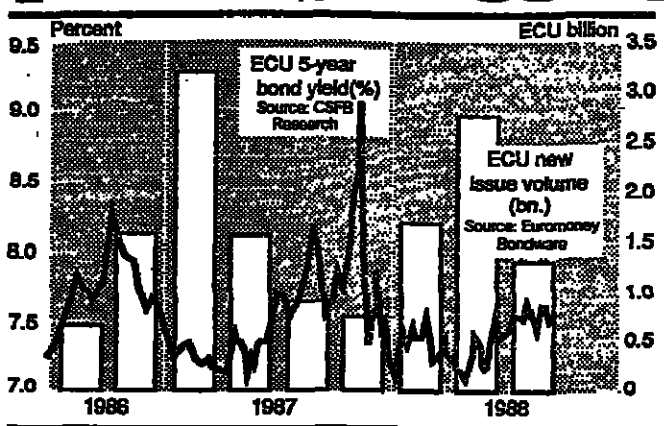
The high-yielding Italian government bonds are packaged into an asset swap to provide lower cost floating-rate Ecu, with the borrower using the difference in yield to subsidise the loan.

Ironically, it was Italy's decision to impose withholding tax on government securities – and then to double the rate a year ago – that makes the arithmetic for the swaps work.

But lately there has been growing confusion about the mechanics of Italy's withholding tax policy. As a result, several borrowers who might have wanted to use the securities are holding off, waiting until the Government simplifies procedures for foreign investors.

Currently, withholding tax is 12½ per cent, increased from 6¼ per cent in September 1987.

In order to compensate investors for the effects of the tax, yields have to be much higher than those on other Ecu bonds. For instance, the coupon on the Government's five-year Ecu bond to be launched on September 28 is 8¾ per cent, compared with the "theoretical yield" on a five-year Ecu bond on Friday of 7.96 per cent. But non-Italian residents who purchase the bonds have a very good chance of getting their tax money back, making the real yields on the bonds very high indeed.



According to Mr Maurizio Lauri, of Lauri and Partners, the Rome-based tax consultancy, Italy has tax treaties with about 40 countries prohibiting double taxation of each other's nationals. In most of these countries, including the UK, tax withheld by Italy on the interest payments on the bonds may be applied as a tax credit in the investor's home country. However, not all governments are so obliging.

In Finland and several other Scandinavian countries, for instance, the Government requires purchasers of Italian Ecu securities to obtain their refund from the Italian Government itself. Mr Lauri says: "In Italy, the fiscal authorities are a little bit slow, meaning you can have your refund in five years' time."

One way around the difficult mechanics of Italian taxation for these borrowers, requires the bank arranging the swap to take on the Ecu bonds, taking the tax credit for itself and passing on some of the benefits to the borrower.

Some dealers speculate that this transaction may have been used for Copenhagen Telephone's Ecu75m five-year Eurobond launched on September 9. There, the proceeds were swapped into Danish kroner, but lead manager Deutsche Bank may have acted as the swap counterparty, gaining the benefits of West Germany's tax treaty with Italy.

By contrast, the UK Treasury's own plans to issue Ecu bills beginning October 11 will have few direct benefits for the Ecu Eurobond market, except for the added stature the plans will give the currency.

For one thing, the Treasury has announced there will be no withholding tax on its securities. In addition, the maturity is too short to be beneficial for the Eurobond market. The Italian Government has been issuing Treasury bills in Ecu since 1982, which have never proved especially useful for Eurobond swaps.

While Japanese investors have periodically shown an interest in Ecu, officials at securities houses agree that their current demand is slim.

Indeed, their indifference was deemed partly responsible for the difficulty that New Zealand's Ecu100m seven-year Eurobond of last week had staying inside its 1⅞ per cent fees. At one point, the bonds fell as low as less 2¼ per cent although lead manager Banque Paribas said it was able later to place about 60 per cent of the issue in Europe.

While part of the New Zealand Eurobond's misfortunes stemmed from the imminent close of a Japanese fiscal year, there is increasing anxiety about long-term Ecu bonds.

In particular, Japanese investors are beginning to focus on what will happen to the composite yield on Ecu bonds when the peseta and the escudo – two high-yielding currencies – are added to the Ecu next September. Officials at Banque Paribas estimate that if the two currencies were added to the Ecu today, yields would be 20 to 40 basis points higher than they are now.

The hefty volume of Ecu Eurobonds in the past two weeks has had a noticeable effect on bond yields, far more so than expectations of the recomposition of the currency.

According to the new issues manager at Crédit Commercial de France, Ecu Eurobond yields have narrowed to 14 basis points below the theoretical Ecu bond yield, from about 30 just two or three weeks ago.

Euromarkets Staff

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Marudai Foods‡◆	100	1992	4	5⅛	100	Daiwa Europe	5.125
IADB (f)◆	200	1998	10	9.45	99.824	Kidder Peabody	9.478
Koa Oil◆	40	1998	10	10	102	Bankers Trust Int.	9.679
Credit Agricole◆	150	1993	5	9⅜	101⅝	Daiwa Europe	8.958
Sumitomo Forestry‡	100	1992	4	(5⅛)	100	Daiwa Europe	★
IBM Int. Fin.◆	150	1992	4	9	101⅜	CSFB	8.580
Tate & Lyle◆	100	1992	4	9⅝	101¼	BZW	9.237
GMAC Canada◆	200	1993	5	9¼	101¾	Morgan Stanley	8.802
Finnish Export Credit◆	200	1995	7	9⅜	101½	Morgan Stanley	9.076
Ichikoh Industries‡	50	1992	4	(5⅜)	100	Yamaichi Int.(Eur)	★
Mitsubishi Electric‡	300	1992	4	(5)	100	Daiwa Europe	★
Eksportfinans◆	100	1995	7	0	55.55	Norinchukin Int.	8.761
Northern Telecom◆	100	1993	5	9¼	101⅝	Salomon Brothers	8.834
Seagram Co.◆	150	1993	5	9⅜	101⅝	Wood Gundy	8.958
Statoil◆	200	1995	7	9⅝	101½	CSFB	9.324
Fuji Int. Fin.◆	100	1993	5	9¼	101.4	Fuji Int. Fin.	8.891
Furuno Electric Co.‡	50	1992	4	(5⅜)	100	Yamaichi Int. (Eur)	★
CANADIAN DOLLARS							
Household Financial◆	75	1993	5	11	101¼	UBS (Secs)	10.665
AUSTRALIAN DOLLARS							
Barclays Australia◆	60	1991	3	13½	101¼	BZW	12.971
Ste Bk New Sth Wales(k)◆	100	1993	5	7¼	101⅞	IBJ Int.	6.795
D-MARKS							
Electricite de France◆	300	1998	10	6⅛	101⅝	Deutsche Bank	5.905
Belgium◆	300	1993	5	5½	101	Deutsche Bank	5.267
Trinkaus & Burkhardt◆	75	1993	5	6	101½	Trinkaus & Burkhardt	5.647
SWISS FRANCS							
Thesing Int.Fin.(d)‡◆	25	1993	-	3½	100	TDB Amex Bank	3.500
Kurimoto Ltd.★★§◆	200	1993	-	½	100	Credit Suisse	0.500
Ned. Hardmetaal Fab.	30	1993	-	(5)	(100¼)	Warburg Soditic	★
Daiwa Bank§★★	150	1994	-	(½)	100	SBC	★
Bond Finance (b)◆	100	1993	-	5¾	100	Warburg Soditic	5.750
Taio Paper Mfg.§★★	100	1993	-	(½)	100	SBC	★
Fuji Machine Mfg.★★§	35	1994	-	(½)	100	J.H. Schroder Bank	★
Bulgari Int.★★◆	30	1993	-	5	100	Drexel Burnham L'bert	5.000
Kumon Ins.for Educ.★★◆	20	1993	-	4¾	100	UBS	4.750
STERLING							
Northern Rock B.S.(a)‡◆	75	1995	7	⅛	100	Baring Brothers	-
ECUs							
Intfin. Cr. National◆	75	1991	3	7¾	101½	CSFB	7.177
New Zealand◆	100	1995	7	7⅞	101½	Banque Paribas	7.591
CNT (c)◆	100	1993	4¾	7⅜	100	CCF	7.375
Olivetti◆	75	1993	5	8	101⅞	Mitsubishi Fin.Int.	7.536
PESETAS							
EIB◆	20bn	1998	10	10.35	100	Banco Bilbao Vizcaya	10.350
LUXEMBOURG FRANCS							
EIB★★◆	300	1995	7	7⅝	100¼	Bqe Indosuez Lux.	7.578
Societe Generale(j)★★◆	600	1993	5	7½	100⅜	Sogenal	7.408
SASEA Fin. NV★★◆	300	1991	3	7¾	100	BIL	7.750
PKbanken★★◆	300	1993	5	7½	100⅜	Kredietbank Int.	7.408
Cerinvest NV★★◆	300	1994	6	7⅝	100¼	Kredietbank Int.	7.572
YEN							
Fujian Inv.& Ent.Corp.◆	15bn	1998	10	5.9	101.30	Yamaichi Secs.	5.809
Elsam◆	12bn	1998	10	5¾	101⅞	Nomura Int.	5.501
Credito Italiano(e)◆	10bn	1998	10	7.2	102	Bankers Trust Int.	6.916
Smart Five Ltd.◆	6.5bn	1992	4	5 7/16	101⅞	Sumitomo Fin.Int.	4.910
Smart Five Ltd.◆	2.5bn	1992	4	(g)	101⅞	Sumitomo Fin.Int.	-
Smart Five Ltd.(h)‡◆	1bn	1992	4	¼	101⅞	Sumitomo Fin.Int.	-

★Not yet priced. ★★Private placement. ‡Floating rate note. ‡With equity warrants. §Convertible. ◆Final terms. a) ⅛ over 3m Libor. Additional £25m on tap. b) SFrs100m minimum. c) Fungible with Ecu150m deal launched in May 1988. d) With warrants if company goes public. e) Coupon payable in A$. f) Launched on US domestic market. g) Step-up coupon: First 2 years 3%, 8% thereafter. h) ¼ over 6m Libor. j) Launched in two LFrs300m tranches. k) Additional A$100m on tap. Redemption linked to Y/A$ spot rate seven days before maturity. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

More a bulge than a 'temporary blip'

IF THE rash of statistics released last week left the gilt-edged securities market largely unchanged on the week, it did prompt analysts to have a closer look at inflation and its likely path over the next 18 months.

What this review reveals is that the market is cautious about the claim of Mr Nigel Lawson, the Chancellor, that a rise in the recorded rate will amount to a "temporary blip." The logic of some forecasts is that it could well resemble a less than temporary bulge.

Last week's data were all about inflation and they all carried unwelcome signs of potential problems ahead: wholesale prices rising at the upper end of their 4½ to 5 per cent range in August; the growth in whole economy earnings up to 9 per cent in July; and retail prices inflation (5.7 per cent in August) knocking on the door of 6 per cent.

August retail sales and the Bank of England's weekly banking return were also worrying for the market. A ½ a percentage point rise in sales in August after a 2.4 per cent rise in July indicated that consumers' demand continued to grow at a rapid rate.

Taken with the weekly notes in circulation figures, which showed a 10 per cent rise in the second week of September compared with a year ago, the retail sales figures served to underline the market's nervousness about when the economy will react to the monetary tightening.

The Bank is simply puzzled by the apparent acceleration in the use of notes. It thinks the postal dispute may have something to do with it, but does not advance this explanation with much confidence. It does not, however, believe there has been a pick-up in demand over and above that indicated by the retail sales figures.

And so to inflation. Booming consumer demand based on an apparently expanding monetary base, manufacturers widening their margins and pushing up final retail prices, earnings rising just ahead of the autumn pay round, and the effects of mortgage interest payments on the retail price index all combine to tell a fairly nasty tale for the fixed-interest investor.

A month and a half ago the Government let it slip that inflation during the first half of the year would rise to about 6 per cent. Warburg Securities and James Capel think it will peak at around 7 per cent during the first quarter of 1989.

Interestingly, however, the two houses diverge on the likely rate of inflation at the end of the year; these are views which will probably come to represent the optimists and pessimists of the market. Warburg believes inflation will be about 4.7 per cent in the fourth quarter of 1989, while Capel thinks it will be about 5.5 per cent.

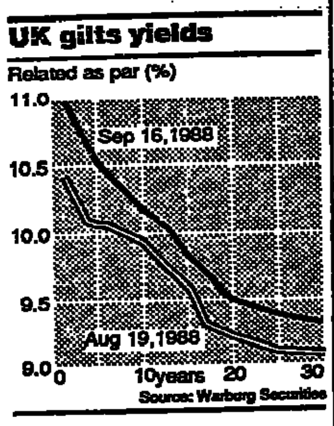
Warburg's view is based on the assumptions that wage inflation does not accelerate and that the pound is not significantly weaker than current levels. The argument on wages runs as follows; workers will be satisfied with past and current gains in disposable income and, if they are not, companies will not concede too much more because of concern over the future. The sterling view is based on the Government not accommodating domestic rises in costs through devaluation.

By contrast, Capel identifies a pick-up in the underlying rate of price rises – from around a monthly rise in prices of 0.3 per cent to 0.4 per cent – and sees no reason to suppose this will not carry on well into 1989. It also pencils in a "modest" rise in pay settlements of ½ a percentage point to 6.5 after the current round is completed. "This implies inflation will remain stable at 7 per cent for the first half of the year before falling back to 5½ per cent by the end of the year."

Simon Holberton

UK gilts yields

Related as par (%)



Source: Warburg Securities

US MONEY AND CREDIT

Rally stalls despite firm economic pointers

UNMOVED by a string of good economic news, Wall Street credit markets have grown reluctant to push their rally further, fearing the recent slowdown in the US economy may be only temporary.

Not even the best US trade performance in three and a half years could stir up business last week. Bond prices rose briefly on news of a $9.53bn deficit in July but were promptly knocked back by a hurricane-induced upward blip in oil prices.

Little is likely to happen this week either, although the markets run the danger of being hit by a ricocheting central banker or finance minister as the gentlemen bustle backwards and forwards in a busy series of meetings.

Markets are expecting no dramatic changes of policy direction when the Federal Reserve's open market committee meets tomorrow. Although Fed governors and reserve bank presidents will be pleased with current trends, they will be too cautious to slacken monetary policy before it is more clearly established that the economy is cooling and inflationary pressures easing.

The Fed has declined in the past fortnight to follow the markets' lead in the reduction of interest rates. The Fed fund rate, at which banks lend reserves to each other, is still about 8⅛ per cent and will probably stick there in the near term.

The strong dollar may be one of the Fed's reasons for being a bit stingy about supplying reserves. The central bank may be resigned to having to sell more dollars in the foreign exchange markets to curb the currency, a move which inevitably adds to reserves.

Even if the rally has stalled, it was nice while it lasted. After the US employment data for August showed a sharp drop in the rate of job creation, bond prices rose in 11 of the following 14 sessions. The yield on the Treasury's benchmark 30-year bond fell the best part of half a point to just under 9 per cent.

However, the markets have taken subsequent economic data as only corroborating evidence of a summer slowdown, rather than reason for further reductions in interest rates.

It looks as though the job data trading play is exhausted and, worse, a curmudgeonly contrarianism is creeping into some analysis.

Thus, the smaller than expected trade deficit was seen by some as too good to be true. The 8.9 per cent fall in imports included a big drop in capital goods, implying a lack of new investment by industries running close to capacity.

When they cannot meet demand for their products, prices will rise.

Moreover, exports rose only 0.5 per cent, confirming the levelling off in their growth rate.

The 0.2 per cent drop in August's retail sales was similarly subjected to a negative interpretation in some quarters. It was argued that with incomes still growing strongly, a rebound in consumer spending was likely in coming months.

With data this week expected to underscore the well-established weaker August trend, the markets are anxious to get a more current picture. Their first chance comes on October 7 with the release of September's job figures, which could well show a pick-up in economic activity.

Mr Robert Brusca, chief New York economist of Nikko Securities, wrote in his weekend commentary: "The feeling of the market seems to be that the economic situation may be good – even better than expected – but it can't last.

"All the inflation indicators are suspicious. The trade picture is nagged by deteriorating fundamentals even as it continues to look better."

September's rally owes a lot, particularly at the long end of maturities, to a bunch of technical and temporary factors rather than economics.

Collectively, they could have suppressed the yield on 30-year Treasury bonds by as much as a point, judging by the flattening of the yield curve. All Treasuries longer than one year yield between 8 and 9 per cent; while the 10- to 30-years show virtually no differentiation.

Griggs and Santow, the firm of money market economists, believes it is possible the curve will invert with short maturities yielding more than long.

There are at least three main factors. Firstly, dealers have had large short positions for months. Secondly, Japanese investors have bought net between $9bn and $10bn of Treasuries in the past month. And thirdly, supply has shrunk because a high volume of long bonds has been stripped of interest portions to make zero coupon bonds and because the Treasury has issued no long bonds since May.

Stripping totalled $5.3bn last month, about two and a half times the average volume of recent months, with Drexel Burnham Lambert accounting for almost half the total. These high-quality zero coupon bonds are in strong demand from both institutional and retail investors, still reluctant to put their money into the stock market.

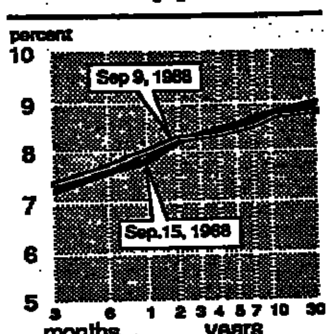
The markets also failed to get too excited last week about falling commodity prices, such as gold which fell to a 17-month low of $415 for the December futures contract in New York.

They were jittery, however, about the roller-coaster ride of oil. Initially oil prices were pushed down by the old fears of Opec over-production, next they bounced up on the prospect of Hurricane Gilbert knocking out US and Mexican production, then they fell again.

Crude oil prices have fallen 17 per cent since May. Although a welcome trend, bigger news is needed on the inflation front if the bond markets are to sustain a rally.

Roderick Oram

US Treasury yields



Source: Technical Data Int. (London)

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	8.13	7.99	7.95	8.19	6.27
Three-month Treasury bills	7.15	7.29	7.22	7.53	5.14
Six-month Treasury bills	7.37	7.42	7.82	8.04	5.74
Three-month prime CDs	8.13	8.28	8.50	8.51	6.77
30-day Commercial Paper	7.80	8.08	8.20	8.20	6.57
90-day Commercial Paper	8.02	8.18	8.30	8.40	6.65

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	100[illegible]	[illegible]	8.81	8.79	9.21
20-year Treasury	103[illegible]	[illegible]	8.99	8.97	9.45
30-year Treasury	101[illegible]	[illegible]	9.00	8.98	9.42
New 10-year "A" Financial	n/a	n/a	9.79	9.75	10.18
New "AA" Long utility	n/a	n/a	10.07	10.05	10.48
New "AA" Long Industrial	n/a	n/a	9.97	9.95	10.43

Money supply: In the week ended September 5 M1 rose $400m to $783.1bn

NRI TOKYO BOND INDEX

December 1983 = 100	14/9/88	Average yield (%)	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	143.33	4.98	143.10	143.63	143.18
Government Bonds	143.46	4.73	143.21	143.83	144.15
Municipal Bonds	144.99	5.27	144.74	145.49	144.56
Govt.-guaranteed Bonds	146.53	5.24	146.33	147.01	145.96
Bank Debentures	137.66	4.93	137.44	138.02	137.03
Corporate Bonds	144.27	5.58	144.11	1144.14	142.41
Yen-denom. Foreign Bonds	147.64	6.34	147.46	145.38	142.79
Government 10-year†	5.32		5.33	5.12	4.87

† Estimated par yield

Source: Nomura Research Institute

DTB may co-operate with foreign clearer

By Haig Simonian in Frankfurt

THE Deutsche Termin Börse (DTB), West Germany's planned financial futures and options exchange, is considering co-operating with a foreign clearing organisation to clear its futures and options contracts.

This is contrary to earlier indications that clearing would be done exclusively by German banks using software purchased from the Swiss Options and Financial Futures Exchange (Soffex).

The DTB, which is a computer-based exchange due to open at the end of next year, has bought a complete trading package from Soffex, including computer software for clearing contracts automatically.

However, at least one of the banks behind the project is pressing for a review of alternative clearing arrangements on the grounds that Soffex's system may not entirely suit the DTB's requirements.

While it is unlikely the leading German banks behind the DTB would contract out such an important function as clearing to a foreign company, it may be that some consultative link with a leading clearer could be established.

FT/AIBD INTERNATIONAL BOND SERVICE

[illegible]

BOND WARRANTS	Expiry Date	Bid price	Chg on week	Yield
AEGON 9 92	24/09/92	10	+2	8.61
AVON CAPITAL 9 93	09/04/89	5	+2	8.84
CHRYSLER FIN 10¼ 94	02/05/94	29	0	9.64
DEN NORSKE CREDIT 8 94	02/05/90	2	0	7.94
DEN NORSKE CREDIT 8¼ 96	03/08/89	3	0	8.19
DENMARK 12¼ 92	31/01/90	75	0	9.96
GEN ELEC CRED 9½ 92 B	17/12/92	11¼	+½	9.15
GMAC 8¼ 95 B	11/02/91	15	+3	8.42
HEINZ H.J. 7½ 96	01/10/90	3	0	7.45
NEWS INTL 9¾ 94	09/06/89	—	—	—
NORDIC INV BANK 7¾ 96	30/10/91	4	0	7.80
ROYAL BK CANADA	28/01/90	67½	+2½	9.99
SBC FINANCE 10¼ 90	11/01/90	10	0	9.53

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on SEPTEMBER 16

NOMURA

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE 15th September, 1988

Howa

HOWA MACHINERY, LTD.

U.S.$50,000,000

5½ per cent. Guaranteed Bonds due 1992

with

Warrants

to subscribe for shares of common stock of Howa Machinery, Ltd.

The Bonds will be unconditionally and irrevocably guaranteed by

The Industrial Bank of Japan, Limited

Issue Price 100 per cent.

Nomura International Limited

IBJ International Limited — **Tokai International Limited**

New Japan Securities Europe Limited — **Sumitomo Finance International**
Wako International (Europe) Limited — **Banca del Gottardo**
Barclays de Zoete Wedd Limited — **Crédit Lyonnais**
Robert Fleming & Co. Limited — **KOKUSAI Europe Limited**
Maruman Securities (Europe) Limited — **Merrill Lynch International & Co.**
Sanyo International Limited

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NEW ISSUE 16th September, 1988

MI

ITOMAN & CO., LTD.

U.S.$230,000,000

4⅞ per cent. Guaranteed Bonds 1992

with

Warrants

to subscribe for shares of common stock of Itoman & Co., Ltd.

The Bonds will be unconditionally and irrevocably guaranteed by

The Sumitomo Bank, Limited

Issue Price 100 per cent.

Nomura International Limited

Daiwa Europe Limited — **Sumitomo Finance International**

Banca del Gottardo — **Bank of Tokyo Capital Markets Group**
Bankers Trust International Limited — **Banque Indosuez**
Barclays de Zoete Wedd Limited — **Baring Brothers & Co., Limited**
Dresdner Bank Aktiengesellschaft — **Fuji International Finance Limited**
Goldman Sachs International Corp. — **IBJ International Limited**
KOKUSAI Europe Limited — **LTCB International Limited**
Meiko Europe Limited — **Mitsubishi Trust International Limited**
Morgan Grenfell Securities Limited — **Morgan Stanley International**
New Japan Securities Europe Limited — **The Nikko Securities Co., (Europe) Ltd.**
Norinchukin International Limited — **Saitama Finance International Limited**
Salomon Brothers International Limited — **SBCI Swiss Bank Corporation Investment banking**
J. Henry Schroder Wagg & Co. Limited — **Shearson Lehman Hutton International**
Société Générale — **Sumitomo Trust International Limited**
Universal (U.K.) Limited — **Wako International (Europe) Limited**
Yamaichi International (Europe) Limited

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NEW ISSUE 16th September, 1988

NISSHO CORPORATION

(Kabushiki Kaisha Nissho)

U.S.$120,000,000

5 per cent. Guaranteed Bonds due 1992

with

Warrants

to subscribe for shares of common stock of Nissho Corporation

The Bonds will be unconditionally and irrevocably guaranteed by

The Sanwa Bank, Limited

(Kabushiki Kaisha Sanwa Ginko)

Issue Price 100 per cent.

Nomura International Limited

New Japan Securities Europe Limited — **Sanwa International Limited**
Daiwa Bank (Capital Management) Limited — **Morgan Grenfell Securities Limited**

Norinchukin International Limited — **Barclays de Zoete Wedd Limited**
Baring Brothers & Co., Limited — **Commerzbank Aktiengesellschaft**
Cosmo Securities (Europe) Limited — **Credit Suisse First Boston Limited**
Deutsche Bank Capital Markets Limited — **Robert Fleming & Co. Limited**
Fuji International Finance Limited — **Goldman Sachs International Corp.**
IBJ International Limited — **KOKUSAI Europe Limited**
Merrill Lynch International & Co. — **Morgan Stanley International**
Nippon Kangyo Kakumaru (Europe) Limited — **Salomon Brothers International Limited**
Tokai International Limited — **Towa International Limited**
Universal (U.K.) Limited — **Wako International (Europe) Limited**

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NEW ISSUE 15th September, 1988

YUASA SHOJI CO., LTD.

U.S.$50,000,000

5½ per cent. Guaranteed Bonds due 1992

with

Warrants

to subscribe for shares of common stock of Yuasa Shoji Co., Ltd.

The Bonds will be unconditionally and irrevocably guaranteed by

The Sumitomo Bank, Limited

Issue Price 100 per cent.

Nomura International Limited

KOKUSAI Europe Limited — **Sanyo International Limited**
SBCI Swiss Bank Corporation Investment banking — **Sumitomo Finance International**

Kyowa Finance International Limited — **Barclays de Zoete Wedd Limited**
Baring Brothers & Co., Limited — **DKB International Limited**
Robert Fleming & Co. Limited — **Meiko Europe Limited**
Merrill Lynch International & Co. — **New Japan Securities Europe Limited**
Salomon Brothers International Limited — **Takugin Finance International Limited**
Tokai International Limited — **Westdeutsche Landesbank Girozentrale**

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Greenland taps foreign banks for first time

By Stephen Fidler

FOR THE first time in its history, Greenland is raising money abroad. At a stroke, its inhabitants will take on more foreign debt per head of population than Brazil.

The Greenland Home Rule Authority has asked Chase Investment Bank to raise DM140m ($74.6m) from international banks. That is DM2,605 ($1,388) for every man, woman and child in the community, which compares with the $857 per head owed to foreigners by every Brazilian.

According to the memorandum going out to prospective bank lenders, Greenland – which had a population on January 1 1987 of 53,733 – has to date taken on no foreign debt of any kind. Its only obligations are domestic ones, either to the two Greenland banks or from the Danish capital market.

Greenland gained the status on May 1 1979 of a self-governing community within the *Kingdom of Denmark*, adopting a similar system to that of the Faroe Islands which started home rule in 1948.

Greenland is following the Faroes – population 46,312 – into the international capital market. The islands' Government signed a six-year loan this week, also arranged by Chase, which was so popular among international banks that it was increased in size to DM60m from DM45m. The loan carries a margin of ¼ percentage point over money-market rates.

Greenland is paying a higher interest rate margin, however: ⅜ point on a five-year financing.

There is no explicit Danish state guarantee for the loan, although to comfort bankers there is a letter from the Danish Prime Minister confirming the relationship between Denmark and Greenland.

The financing is being raised, along with DKr600m ($83.3m) in the Danish mortgage credit market, for general financing purposes and capital investment, which includes development of the country's fishing industry.

Greenland has run a trade deficit for at least the last six years, the 1987 shortfall amounting to DKr1.1bn.

Generali finances growth plan with L1,100bn rights

By Alan Friedman in Milan

THE LARGEST fund-raising operation of the year on the Milan bourse gets underway this morning with the launch of a L1,100bn ($785.7m) rights issue for Assicurazioni Generali, Italy's biggest insurance group and the third ranking insurer in Europe.

The Generali equity offer of 110m new shares is designed to help finance a development strategy that has as its main feature the purchase earlier this year of a minority stake in Compagnie du Midi, the diversified French insurance company.

The Midi saga has seen the Trieste-based Generali pay a total of L599bn for an 8.52 per cent stake on the advice of *Lazard Frères* of Paris and Mediobanca of Milan, the two merchant banks which are also Generali's largest single shareholders.

Mediobanca and Lazard have bought a further stake in Midi and, with Generali, the three allies control about 12 per cent of the French company. Generali, meanwhile, has been tight-lipped about its ultimate plans in France, having thus far been met with a frosty response as it sought a voice in Midi.

The Milan bourse, which has not seen a single rights issue of this size since 1985-86, is eagerly awaiting the Generali operation.

Generali, which along with Fiat is the leading blue chip on the Italian stock market, is the world's second biggest insurer in terms of market capitalisation ($13.7bn). Its 1987 consolidated group net profit rose by 3.9 per cent to L468.8bn, while total premium income increased by 23.9 per cent to L9,717bn.

Meanwhile, Mediobanca reported net earnings of L120.5bn in the fiscal year ended June 30, up 6.6 per cent from L113bn a year earlier.

Net income was determined after setting aside L101.3bn in provisions for bad loans and adjustments in the value of stocks held in portfolio. In the previous fiscal year, it made provisions of L65.3bn.

Statoil to sell pipeline stake

By Karen Fossli in Oslo

STATOIL, Norway's troubled state oil company, is to raise *about NKr300m ($45m) through* the sale of a 1 per cent stake in Statpipe, the 800km gas pipeline which connects into the Norpipe which supplies Norway's continental customers.

The purchaser is Conoco Norway, the Norwegian subsidiary of Houston-based Conoco, which is in turn a subsidiary of Du Pont, the largest US chemical company.

Mr Martin Bekkeheien, Statoil vice-president of exploration and production, said the deal could be expanded by an additional 1 per cent share if Conoco agreed.

For Conoco, the purchase represents a significant breakthrough. The Norwegian subsidiary has sought unsuccessfully for several years to win its parent's approval to acquire a stake in the pipeline to help *offset* high costs incurred in transporting gas which it sells to a consortium of buyers on the Continent. The formula governing the gas prices has reduced Conoco's receipts to less than the cost of the operation.

For Statoil, the deal could be the first of other asset sales as the company struggles to lift *its capital ratio – its equity* has fallen to between 10 and 12 per cent of total capital. However Mr Bekkeheien said the company was not in talks with other companies to sell other assets.

Earlier this month, Mr Per Kristian Foss, Norway's opposition Conservative party spokesman for energy affairs, recommended that Statoil sell assets to increase its capital ratio. The Conservatives have also long advocated semi-privatisation of Statoil.

Norway may ease curbs on ownership

By Our Oslo Correspondent

NORWAY'S Ministry of Industry has proposed easing restrictions on foreign ownership in industrial companies to try to bring in capital which has been difficult to raise because of the lacklustre domestic stock market and high interest rates.

The minority Labour Government's proposal, which must still clear the Storting (Norway's parliament), calls for:

- A boost in foreign ownership of voting shares from 20 per cent to 33 per cent;
- An increase in the size of a single foreign voting share stake from 10 per cent to 20 per cent;
- Permission to allow mixed Norwegian and foreign board members, providing the chairman and majority of members *is Norwegian. Currently*, having foreign board members disqualifies a company from holding Norwegian status.

The ministry stressed, however, that the liberalisation was meant to harmonise the law with current practice and was linked to voting shares to allow unlimited subscription of non-voting shares by foreigners.

Traditionally, foreign ownership has been restricted to 10 per cent in banks and insurance companies, 40 per cent in shipping companies and 20 per cent in industrial companies.

On Friday, Hafslund Nycomed, the diversified Norwegian group with interests in pharmaceuticals, energy and metals, was given permission to expand foreign ownership of voting shares to 33.3 per cent of the total, from 20 per.

First Boston to acquire Australian broker

By Chris Sherwell in Sydney

FIRST BOSTON, the US investment bank, is to buy MacNab Clarke, one of Australia's top institutional brokers, for an unspecified sum.

The acquisition will significantly expand First Boston's presence in Australia. The group opened a representative office *in 1971* and in 1986 purchased a fixed-income dealer to become involved in the local debt securities market.

It also reduces further the handful of independent brokers left *among Australia's competitive* securities fraternity.

The creation of First Boston Australia Equities, as the new entity will be called, gives the US group a base in the Australian equities market. For MacNab Clarke it offers access to First Boston's corporate clients and allows an extension of its institutional services to the US and Asia and growth in Europe, where it already has a London office.

As research-based brokers, the two groups hope to benefit from the integration of their highly respected research operations. Mr Tony MacNab, managing director of MacNab Clarke, said his firm would have a global research and dealing capability that would have taken up to 10 years to achieve without First Boston.

Bass terminates Macmillan offer

THE Robert M. Bass Group is terminating its $75 a share tender offer for Macmillan, the US publisher, because of an offer from Mr Robert Maxwell's Maxwell Communication for about $87 a share, writes Our *Financial Staff*.

The investment group said it was pleased that its willingness to initiate a lawsuit against the management's proposed restructuring and to begin a tender offer led to "a full and fair price."

Meanwhile, Ramada, the US hotel chain, said its board unanimously rejected an unsolicited $10 a share takeover bid by a company *owned* by the Pritzker family of Chicago as "grossly inadequate." The bid valued Ramada at $397m.

US units help boost Bertelsmann net income to DM260m

BERTELSMANN, the West German publishing group, said its group net income climbed 26 per cent in fiscal 1988 as it moved ahead of schedule in the integration of its recent US acquisitions, AP-DJ reports.

The company, which became the world's largest media group when it acquired Doubleday and RCA/Ariola Records for about $800m in 1986, also said it would be financially ready for further acquisitions from 1990.

Mr Mark Wössner, chairman, said net earnings climbed to a preliminary DM260m ($139m) in the year ended June 30, from a revised DM207m a year earlier.

Group sales rose from DM9.1bn to DM11.5bn, confirming Bertelsmann's position ahead of Mr Rupert Murdoch's News Corp, Capital Cities/ABC and Time. Bertelsmann's new US units generated DM3bn of the group's total turnover.

Mr Wössner said the integration of Doubleday and RCA was going faster than originally planned, reducing the financial consolidation phase for these acquisitions to three years, from the five years originally planned.

After that period, the company is likely to consider a further expansion of its US business, possibly in the magazine and trade journal sector.

Acquisitions in Japan and forays into the electronic media are also on the agenda, the chairman said. The privately-held company is not planning any public share offering to finance takeovers, but wants to finance them out of reserves or another issue of participation-notes.

Bertelsmann's profit was in line with a forecast given by Mr Wössner in March, *but* the turnover growth exceeded his earlier predictions of a 14 per cent increase.

Norsk Hydro chemical plant hit by explosion

By Our Oslo Correspondent

AN EXPLOSION yesterday at a vinyl chloride monomer (VCM) plant in southern Norway owned by Norsk Hydro, Norway's largest publicly quoted company, could force production to shut down for several months, Norsk Hydro says.

Gas leaks and fires were brought under control and there were no injuries or deaths. But Hydro says it is unsure how long VCM stocks in another plant in Sweden can sustain requirements to meet demand for polyvinyl chloride production in three plants in Norway, the UK and Sweden.

VCM is used to make polyvinyl chloride. The Norwegian plant has an annual production of 300,000 tonnes but it had been producing in excess of design capacity.

Neal quits as Bank of Montreal treasurer

By David Owen in Toronto

MR GEORGE NEAL, vice-president and treasurer of Bank of Montreal, the third largest Canadian chartered bank, has resigned to take up a post at Manufacturers Life, the country's largest life assurer.

The 45-year-old Newfoundlander will leave in mid-October to assume his new position as executive vice-president with responsibility for investments. He has spent his entire 24-year working career with the bank.

No replacement for Mr Neal has yet been named.

Canadian banks have this year been lobbying vigorously for the right to sell insurance products through their branches, as part of an ongoing deregulation of financial services.

- Onex, the C$2bn Toronto-based packaging, courier and airline catering company, and Ball Corporation of Indiana have formed a joint venture to acquire Onex Packaging for C$11 a share, or about C$200m (US$164m).

Onex and Ball will be equal shareholders in the venture. Onex currently holds about *half of Onex Packaging.*

On completion of the deal with Ball, Onex will receive about C$90m, with half of this being reinvested in the venture.

In the six months to June, Onex earned C$16.5m on revenues of C$943m.

The venture will provide Ball with an opportunity to enter the Canadian packaging market.

Shell Brazil to dispose of gold mine

SHELL BRAZIL, a unit of Royal Dutch/Shell Group, has begun negotiations to sell one of its main gold projects, just three weeks after Brazil's new constitution restricted mineral exploration to Brazilian-controlled companies, Reuter reports from Sao Paulo.

Mr Omar Carneiro, acting president of Shell Brazil, said the company had decided to sell the Ibiajara mine in the northern state of Bahia.

"Our decision to sell Ibiajara is primarily one of priority. Our resources are scarce so we decided to invest more in projects that have not been affected by the new ruling," he said.

The Ibiajara project was to produce 100kg of gold a year. Until recently, Shell had been searching for a Brazilian partner for the deal.

Instead, Mr Carneiro said the company would invest $230m in the next two years in an aluminum project in the state of Maranhao in partnership with Alcoa Aluminio, the Brazilian unit of Alcoa of the US. Brazil has huge bauxite reserves in the north.

Last year, foreign interests accounted for 38 per cent of the $90m spent on mining research, according to Brazil's National Association of Geologists.

The new law foresees that foreign voting capital will be limited to 49 per cent in joint ventures with local concerns.

Brazil ranks sixth in world gold output, with 84 tonnes in 1987.

FINANCIAL TIMES
SURVEY

The fight for market share continues to intensify as UK consumer spending grows. Successful companies are expanding further, while takeovers and concern about saturation in some sectors indicate that trading may become even tougher, as **Maggie Urry** reports.

Much harder to succeed

TIMES ARE getting tougher for the retail industry. Despite the boom in consumer spending in recent years, many stores groups have found trading difficult.

The sector has fallen from favour with the City, and the outlook is getting bleaker as competitive and cost pressures worsen.

Mr Geoffrey Mulcahy, chief executive of Woolworth Holdings, summed it up in February this year when he gave shareholders his view of the next five years.

He said: "The need to build on quality and competitive advantage is further reinforced by signs within the retail sector of a moderation in the rate of growth in consumer expenditure, on the one hand, and possibly excessive expenditure in high street refurbishment and space expansion on the other."

For some time, retailing has been regarded as one of the growth sectors in the changing structure of UK industry. Its closeness to the consumer, and an erroneous idea that retailing is simple, has attracted many new entrants.

Meanwhile, the less successful participants in the industry have realised – or had the realisation forced upon them through takeovers or falling profits – that they can no longer take it easy.

The likes of the Littlewoods high street chain, the Co-operative societies, department stores such as Debenhams, even the Post Office, have been more actively trying to woo shoppers.

At the same time, the successful players have stepped up their plans for expanding their winning formulae. Marks & Spencer, for instance, has increased its rate of store openings and widened its range of goods.

So, despite the growth of consumer spending in recent years – as wage increases have outstripped inflation and the unemployment figures gradually drop – which has meant a larger cake to be divided between retailers, the fight for slices of that cake has intensified.

In the stock market, retailers' shares – once a sector which always commanded a premium to the market – have suffered and fallen to a 20-year relative low point. Even so, at the end of August, Mr John Richards, retail analyst at County NatWest WoodMac, the securities firm, was prepared to say he could not recommend that investors buy a single share in the sector.

The fact is that retailing is not the young and growing industry it is often thought to be, but a mature business, dominated by a relatively small number of large groups.

The top 10 retailers currently account for just over quarter of total retail sales, and the top hundred have 55 to 60 per cent.

Following a spate of acquisitions and mergers, the big groups are now competing more directly with each other, and the independents left are often ones which have survived because they have something special to offer.

Even if consumer spending continues to rise, albeit at a slower pace, the scramble to win a larger than fair share of the extra volume will pit giant against giant.

The amount invested by companies in the sector in recent years is staggering, and requires a high level of profitability to be justified. Much of it may turn out not to be.

"One estimate," says Mr Mulcahy, "puts the retail industry's total investment since 1982 at over £15bn; the amount invested is thought to have grown by 15 per cent per annum in real terms over the period."

About a third of that £15bn has gone into property as retailers have expanded rapidly. The fear now is that Britain will become overshopped – a concern which is prevalent in the food retailing industry and is perhaps even more pressing in the Do-It-Yourself sector, where some operators reckon there are only two or three years of expansion left.

Retailers have also spent heavily to improve the look of their shops, with the aid of design groups, in an attempt to attract customers who are becoming far more discriminating about the kind of shop they are prepared to enter.

Consumers – in recent years far more vociferous and ready to complain – are saying increasingly that shopping is becoming less pleasurable, despite the retailers' attempts to make it a leisure activity.

The latest idea to strike retailers – although it has been apparent to shoppers for years – is that customer service is often poor and if improved could more than pay for itself through higher sales and profits.

A recent study of successful retailers by the retail management consultancy group of Peat Marwick Mitchell concluded that "customer service has clearly not always been the uppermost priority in all cases."

One retailer even said: "If any retailer says he is happy with his customer service he is not telling the truth." Another admitted: "Concentration on the bottom line and productivity has squeezed out the customer."

It is astonishing that any industry could so seriously neglect those who pay the bills.

Many retail groups are now emphasising their spending on staff training. W. H. Smith, for example, is training its staff to know the stock more thoroughly, so that if a customer wants an item which is out of stock or not carried the assistant can recommend a suitable alternative and keep the sale.

Stores realise increasingly that a customer cannot be told to return in a couple of weeks if a product they want is not available. Shoppers are no longer so docile, and there are plenty of competitors who will have the goods in stock.

Information will be one of the retailer's best weapons. Knowing who their customers are and what they want to buy will give retailers power, which is one reason behind the push by many groups to recruit store card holders, a good way of building up customer profiles.

It also gives an advantage to mail order companies which have huge lists of customers, with frighteningly detailed information about them.

Systems which ensure rapid replacement of stock have also become vital for retailers. Electronic point of sale (Epos) terminals are becoming commonplace, and the major retailers have investment programmes to install them in all their shops over the next couple of years.

Retailers can capture information about the goods sold, and use that to re-order stock and find out which lines are selling fast and need to be held in greater volume. That information can be used effectively only if there is the distribution system to back it up.

Many groups are now spending heavily to improve their warehousing systems, a trend which is particularly noticeable among food retailers.

M & S's multi-user warehouse system, which was launched early this year and is being phased in to cover all general merchandise in the next three years, is a particularly impressive process allowing rapid re-ordering and delivery of stock to shops from distribution centres.

This allows M & S to hold less stock – with obvious financial benefits – yet offer a better service to customers. It has clear repercussions for its suppliers.

The expense of setting up such systems is not the only cost increases retailers are suffering. Much has been said about the sharp rise in rents for retail property, and the effect of the change in the rating system in 1990.

Retailers are also facing rapidly rising staff costs. Declining school rolls in the UK, and therefore fewer school leavers, will make it tougher to attract people to retailing, which traditionally has been lowly paid.

And if staff are to be trained to offer a better service, a higher quality of staff will be needed – in the US many shop staff are graduates.

If costs are rising faster than inflation, and worse if competition tends to hold shop prices down, the battle to gain volume will become ever more intense. The fight will be fascinating for observers, if painful for the participants.

Customers in a Sainsbury's Homebase Do It Yourself store — Alan Harper

UK Retailing

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TOP TEN UK RETAILERS*

	Sales excl.VAT
Sainsbury (incl. Homebase, excl. Savacentre)	£4.34bn
Marks & Spencer	£4.17bn
Tesco	£4.12bn
Dee Corp (Gateway, Wellworth and Medicare)	£3.77bn
Argyll (incl. Mojo, Snow King)	£3.23bn
Asda (incl. MFI and Ass. Dairies)	£2.72bn
Woolworth (incl. Comet, B&Q, Superdrug, Charlie Brown's, Kidstore)	£2.17bn
Boots (includes Children's World)	£1.98bn
John Lewis group (includes Waitrose)	£1.5bn
Sears group (includes Freemans, Lewis's)	£1.48bn

* Financial years ending Jan-April 1988

Source: Corporate Intelligence Group

Higher earnings have contributed to record sales

Spending power soars

IN BROAD-BRUSH economic terms, the past year has been one long party for retailers. Spending power has soared as earnings have risen at an annual rate of more than 8 per cent. Saving is out of fashion and taxes have been cut.

The result has been record sales by shops. In the three months to June this year, retail sales were nearly 6¼ per cent higher than a year before.

This ebullience of the consumer has been linked, almost by definition, to the recent strength of the British economy. Consumer spending – of which retail sales account for about half – has largely led the extraordinary upturn in activity in the last two years.

What lies ahead, however, is a matter of some uncertainty. There are signs that the second half of 1988 could see a turning point with the strong upward trend in consumer spending correcting itself – or, probably more likely, being corrected by Government action.

Retailing will be in the front line if, or rather when, economic growth begins to slow. The Government believes the economy is expanding at an unsustainable rate, worsening the current account deficit and pushing up prices, and has to be slowed – and admits it will largely be consumers who are put under pressure.

Rising interest rates are the main symptom. Higher mortgage rates will cut spending power directly, while putting up the cost of borrowing may slow consumer credit.

There is both a direct and psychological effect. Typically, a 1 per cent rise in the interest rate means an extra £15 has to be paid each month on a £30,000 mortgage. The high degree of gearing up among property owners – particularly the young – means the effect of an interest rate rise is multiplied.

Interest rates are widely expected to rise further within the next six months – perhaps to more than 13 per cent. This may upset confidence, which could be damaging in itself.

Perhaps more interestingly, there is now less talk in the City about income tax cuts in next year's Budget than there was earlier this year.

This makes it possible to project that retail sales will grow only slowly, or even stagnate.

For instance in July, Staniland Hall, the business forecasting group, predicted that growth in consumer spending at constant prices will fall from 4.7 per cent in 1988 to 1.4 per cent next year and then remaining below 2 per cent until at least 1992. "We do not expect boom conditions to return during the next five years," it said.

In practice, there is probably a lot to remain cheerful about. Many of the underlying factors affecting consumer spending growth remain strong. The biggest danger is that Government mis-management, or unforeseen economic events, will turn what should be a gentle tap on the brakes into a hard crash landing.

Among City analysts, there is widespread agreement that consumer spending will slow – but it will remain fairly strong. Typically, growth rates of 5.5 per cent and 3 per cent for this year and next respectively are being forecast.

"Consumer spending is going to be underpinned by continuing growth in real earnings and also by non-financial personal wealth – particularly house prices," says Dr Gerard Lyons, chief UK economist at SBCI Savory Milln.

"The consumer is a resilient animal," says Mr Kevin Gardiner, UK economist at Warburg Securities. "Unless there is a major increase in interest rates from current levels, spending will continue to grow fairly robustly for some time."

Driving consumer spending forward are a number of factors but it is earnings that stand out as the major influence. In strict economic terms the income of consumers, unless taxed or saved, will be spent.

Since the beginning of last year, personal disposable incomes, after allowing for inflation, have grown at an annual rate about 5 per cent. Average earnings growth has far outpaced consumer price inflation.

This buoyant trend is set to continue, albeit not quite as fast. Average earnings increases, which include overtime payments, may slow, but this will be offset by falling unemployment increasing the number of wage-earners.

Inflation, although widely expected to rise toward 6 per cent by the end of this year and the beginning of next, seems unlikely to average much above 5 per cent in 1989.

Savings are likely to continue to account for a small proportion of income. In 1987, the savings ratio – the proportion of income saved – fell to 5.4 per cent, the lowest level for 28 years.

The accuracy of this measure, which is simply calculated from the residual of incomes and expenditure, has been seriously questioned by many independent economists but it is probably a fair indicator of trends.

Figures for the first quarter of this year suggest there has been little bounce back. Relatively low inflation and the easy availability of credit are just two factors which have – and seem likely to continue to – reduce the need for saving.

Credit itself, which has helped fuel retail sales, also shows few signs of weakening. Use of credit by consumers – with the exception of borrowing for house purchases – is generally acknowledged as insensitive to interest rate changes.

Moreover, the scale of credit expansion should not be exaggerated. Figures supplied by the Bank of England to the House of Commons Treasury Select Committee in March show the growth of outstanding consumer credit has been steady since the early 1980s at between 16 and 20 per cent a year. This growth rate could easily continue into the 1990s.

Borrowing too seems robust. Backing up the recent rise has been a rise in personal sector wealth. Net financial wealth (assets minus liabilities) suffered during October's stockmarket crash, but the level in the last three months of 1987 was still above that at the start of the year. Other forms of wealth – particularly house prices – have remained buoyant.

Rising wealth not only underpins borrowing but is a form of spending power in itself. The most notable symptom is the growth in equity withdrawal on the back of escalating house prices. This is an area that would weaken if the Government succeeds in taking the fizz out of the housing market.

Yet it is not the Government's intention to engineer a collapse in consumer spending. Unless pressed, it would prefer to wait to see the effect of recent rises through fear of over-reacting.

The consumer is the main target of the Government's interest rate policy. Just as it does not wish to see spending continuing to rise as fast as it has, it could lead the economy into recession if it caused it too fall too far.

Ralph Atkins

Niche businesses

Stock market turns

THE STORY of Sock Shop sounds suspiciously like a Thatcherite fairy tale come true.

Sophie Mirman started off as a secretary who worked her way out of the Marks and Spencer typing pool. Richard Ross began his career as an accountant in a swanky City firm. They met. They married. Then they dreamt of starting a business.

The money men sneered at the prospect of a shop that sold nothing but socks. So they went ahead on their own.

When the first Sock Shop opened, in the depths of a London Underground station, Sophie cycled off to collect supplies of socks from Victoria Station and their evenings were spent dusting the shelves.

Four years and more than 40 shops later, Sock Shop went public on the crest of the "niche retailing" wave. Like Body Shop before, and Tie Rack after, Sock Shop came to the stock market on an improbably high p/e only to see its flotation enthusiastically oversubscribed.

Sock Shop: went public on crest of a wave

The success of Sock Shop, Body Shop and Tie Rack encouraged a stream of imitators. Suddenly the High Street was crammed with specialist and would-be specialist shops selling anything from door knobs to knickers.

Established retailers that had been too dozy in the past to diversify restyled themselves as bright, new "niche" retailers.

But stock market sentiment has turned against the specialists. They have suffered, along with the rest of the retail sector, from concern at the erratic outlook for consumer spending and rising retail rents. But earlier this summer when Mrs Fields, the US cookie company, forecast a fall in profits, the shares of all the other niche retailers slumped too.

Ostensibly, there is little logic behind the assumption that poor cookie sales in California should bode ill for Body Shop's cocoa butter in Camden Town. But the City's hysteria was indicative of a deeper concern that as the specialists grow larger, they will find it difficult to maintain momentum and that they lack the management strength to make the leap into becoming bigger, more substantial companies.

Specialist retailing is scarcely a novel concept. But the "niche phenomenon" began in the early 1980s, when Britain was beginning the long haul out of economic recession.

"The development of companies like Body Shop and Tie Rack was a response to the consumer boom: to higher levels of affluence and higher levels of aspiration," says Mr Nick Bubb, retail analyst at the Morgan Stanley securities group. "The mediocrity of the multiple retailers created an opportunity for small specialists which could satisfy consumer demand for convenience and service."

Today these specialist retailers are no longer quite so small. Body Shop has more than 300 shops. Tie Rack's chain will have grown to over 200 by the end of the year, and Sock Shop to over 100 outlets.

One of the initial concerns about the niche retailers was that, as specialists in particular product areas, their growth potential would be exhausted as they approached saturation.

So far the specialists have obviated this problem by expanding overseas. Body Shop is already established in more than 30 countries; Tie Rack will soon have 30 shops in the US; Sock Shop has ventured into New York, and is now moving into France.

"The potential for expansion is enormous," says Ms Mirman, chairman of Sock Shop. "When we went public last year we thought there would be room for 140 or 150 Sock Shops in the UK. Now we are thinking in terms of 400 shops in the UK alone. Then there is the US. And then the rest of Europe."

The need to develop the resources to manage a more substantial business is rather more daunting. As a specialist retailer grows larger it must strengthen its central management team; tighten financial controls; and expand product development so that it can take advantage of the economies of scale available to a larger business.

In the meantime its profit margins will probably suffer, while it invests in senior staff and ploughs capital into new shop openings.

The consensus in the City is that Body Shop – while as idiosyncratic as ever in its management style – is already well advanced in this respect; Tie Rack is making progress; while the smaller Sock Shop has only just begun.

For a specialist that fails to make the "leap", there is always the consolation that one of the multiple retailers will doubtless be waiting in the wings able and willing to provide the management resources – and capital – that it needs.

Our Price Records is a classic example of a niche retailer that opted to merge with a multiple, rather than remain independent. Two years ago, after establishing a chain of 130 record shops, its founders sold out to W.H. Smith for £43m.

The arrangement suited both parties. Our Price lacked the necessary capital to continue expansion, while W.H. Smith, which had tried and failed to set up its own specialist record shops – Sounds FX – in the previous year, lacked the entrepreneurial flair to establish its own niche business.

Our Price performed poorly in the first year after the acquisition. But it has since fared so well that W.H. Smith has not only increased the number of Our Price outlets, to more than 200, but has acquired the smaller Virgin record shops.

W.H. Smith is now involved in a similar exercise with Paperchase, the chain of specialist stationery and gift shops. And the financial weight of Woolworth is accelerating the expansion of the three drug store businesses – Superdrug, Share Drug and Tip Top – it has bought over the past two years and now runs under the Superdrug name.

Yet most of the niche retailers prefer to perceive their future as independent forces. So far companies like Sock Shop and Tie Rack have been too small to detract from the market shares of the multiples. Although the growth of the specialists has undoubtedly intensified competition, thereby prompting the multiples to offer a wider choice of products and better service to consumers.

A recent report from Verdict Research, the retail analysts, suggested that the specialists are now approaching the size at which they will pose a more serious threat to the multiples.

"Retailing tends to move in cycles," says Mr Bubb of Morgan Stanley.

"In the early 1980s groups like Burton, Dixons and Next became the new stars of the sector and took over from companies like UDS and Combined English Stores. Perhaps Tie Rack and Sock Shop will join their ranks. We shall see."

Alice Rawsthorn

A continuing shake-up has cut the number of supermarket chains

Elusive pattern in takeovers

NO ONE could claim that corporate activity within the retail sector has been slack over the past 18 months.

At the chunkier end of the bid scene, pre-crash deals took in the acquisition by Argyll of Safeway's UK operations, Tesco's offer for Hillards, and – away from the food retail market – Next's purchase of Combined English Stores.

In the wave of takeovers which hit the market just after the October stock market collapse, two retail deals featured prominently: Sears' £477m offer for Freemans, the mail order business, and Barker & Dobson's ambitious £2bn assault on Dee Corporation.

Since then, on a somewhat smaller scale, corporate deals have continued to flow. Dixons' acquisition of Wigfalls, Ward White's battle for A. G. Stanley and, across the Atlantic, Marks & Spencer's purchase of the Brooks Brothers chain, are examples in point.

However, identifying a single clear pattern in all this activity is less easy. Certainly, there is an element of add-on or infill as geographical or niche retailing coverage is cemented.

Perhaps the best examples on this score lie in food retailing, and in the steady absorption of regional supermarket companies by their national counterparts.

As the Tesco offer for Yorkshire-based Hillards demonstrated, it is very difficult for a regional chain, whose financial resources are inevitably more limited, to mount a successful defence against the deep pockets of the major companies. The outcome, then, hinges on little more than the level of the bid price against shareholders' loyalty.

Small wonder that Hillards' defeat leaves only a smattering of quoted regional chains outstanding. Even among these, Dundee-based William Low has attracted a fair measure of bid speculation and posseses a substantial shareholder not renowned for its passive investments, in the form of Sir Ron Brierley.

At Normans, the discount food retailer, a Brierley company also sits on the share register.

The point at which this type of add-on activity borders on protectionism – in the sense that potential competitive forces are restricted – is debatable. While the larger companies will always argue that the additional space fills a key geographical need, losing parties tend to take a less charitable view.

Certainly, Bennett & Fountain, the rapidly-expanding electrical goods retailer, was less than delighted to find its recommended £14m paper offer for Wigfalls overtaken by a £16m cash offer from Dixons. It promptly described the new offer as "a defensive move to keep us out," but against the resources of the established player it had little choice but to withdraw.

Wigfalls, with equal reason, switched its allegiance to the higher offer, while Dixons firmly maintained that the sites involved presented "a good opportunity."

Inevitably, too, there has been a tendency for certain spates of corporate activity to be stimulated by the misfortunes of others.

It is, perhaps, no coincidence that the two prospective mega-deals to emerge recently – the potential £1.8bn offer from property group Mountleigh for Storehouse and the £2bn bid for Dee Corporation from Barker & Dobson – involved companies whose underlying "retail concept" was in doubt.

It would not be stretching the parallel, moreover, to note that attempts by these two companies to establish their ideas involved substantial earlier acquisition activity. That, in turn, led to the issue of a good deal of extra paper, and as the strategy proved slow to produce results, share underperformance became the unfortunate corollary.

While Dee and Storehouse maintain that the inherent logic of their strategies is sound, shareholders are obliged to be patient, praying that the promised benefits will work through eventually.

In Storehouse's case, the cornerstone to the strategy is the Conran-led design concept, with a belief that the likes of BHS, Richard Shops, Heals and Habitat can all benefit from being under one corporate umbrella, with the design team at the centre.

Dee, meanwhile, spent several years mopping a number of the medium-sized and generally fairly downmarket grocery chains in the belief that these could be combined into one organisation, with subsequent operating efficiencies.

What both predators picked on was the fact that – partly for a variety of practical, retailing reasons – the meshing process had gone astray.

Mountleigh, a property company, presented plans which envisaged a break-up of the Storehouse group, with the disposal of its constituent chains to different buyers. It was turned away by the incumbent management and never forced the issue with a full bid.

Barker & Dobson worked on similar lines – this time planning to retain about 750 "middle ground" Dee stores under its own management, but selling on other interests.

In fact, neither predator was successful. Drawing lessons from the failures, however, is difficult, with market movements over the past year scarcely providing a stable background to any bidder's plans.

Perhaps the fact that no one else has leapt into either situation (the tiny Benlox group aside), suggests that demergers in the stores sector face more obstacles than are sometimes supposed.

Mountleigh's involvement with Storehouse leads on to another trend which has been marked recently. The borderline between property and retail interests has always been flimsy, and the powerful property boom on Britain's high streets has inevitably lured in the occasional property-based predator.

Perhaps a classic recent case was footwear retailer Stead & Simpson, which fell victim to an unwanted £106m approach from Clayform Properties. Happily for Stead, with a good number of its voting shares concentrated in family-related or friendly hands, the bid proved abortive – though it is left with an uncomfortably large shareholder.

One theme in the sector has been the steady push into certain niche retailing areas; another, the development of new retail ideas, where acquisition activity has offered the most obvious expansion route.

On the latter score, perhaps the most dramatic example is the push into "home shopping," and the growing fashion among high street retailers to develop mail order-related businesses. Next's acquisition of Grattan, for example, was swiftly followed last year by Sears' bid for Freemans.

And Next's foray in this area has provoke further distribution-related acquisitions: it has now picked up two newsagency chains, Dillons and Alfred Preedy,

Nikki Tait

Mail order sales have a brighter outlook

Trying new ideas

MAIL ORDER has been eclipsed for some years by the excitement generated in high street retailing. The share of total retail sales taken by mail order has gradually declined in the 1980s.

But now there seems to be a somewhat brighter outlook for the sector, and with that a new name – home shopping – appropriate since the Post Office has lost much of the business to the companies' own delivery services.

The companies involved, which have perhaps been slower than the high street shops to innovate, are now beginning to bring new ideas to the home shopping market. Beneath the surface, change has been making home shopping a more attractive way for retailers to reach customers.

At its simplest, the huge rise in high street shop rents has made the relative economics of home shopping look more enticing. That was just one reason Mr George Davies, chairman and chief executive of Next, wanted to take over Grattan, then one of the three independent agency mail order groups, in 1986.

The launch of the Next Directory in January is a milestone in mail order history. It was the first attempt to bring a big catalogue directly to a middle class audience. And its emphasis on 48-hour delivery did away with the old idea of 14 or even 28-day delivery times in mail order.

However, Next was not alone. At the same time Sears, a high street retailer like Next, was taking over Freemans, the second of the independents to go.

Already Sears has plans to put its high street shop names – such as Miss Selfridge, Mappin & Webb, and Olympus Sports – into Freemans' catalogues. And Marks & Spencer has produced a catalogue for its home furnishings business.

More recently, Au Printemps, the French retail group which has a controlling stake in La Redoute, a leading mail order business, has taken a 25 per cent stake in Empire Stores, the third of the trio of independent agency groups. The suggestion is there will be co-operation between Empire and La Redoute.

Trends in mail order

	1980	1981	1982	1983	1984	1985	1986	1987
Mail order sales (£mn)	2,054	2,010	2,140	2,240	2,405	2,665	2,870	3,170
Non-food retail sales (£mn)	31,608	33,925	36,715	40,540	43,930	48,205	52,675	57,480
Mail order as % of non-food sales	6.50	5.92	5.83	5.53	5.47	5.53	5.45	5.51

Sales figures are exclusive of VAT.
Source: Corporate Intelligence Group estimates

The convenience of shopping from home has increased as technology has improved ordering – now largely done by telephone – and speeded delivery.

In years to come, home shoppers will be able to select and order their purchases using their TV sets. Most of the major mail order groups are investigating electronic home shopping systems.

Mr Geoffrey Maitland Smith, Sears' chairman, is looking at how the satellite television used in the group's William Hill betting shop chain, to bring events at the race track into the shops, might be used for home shopping.

Mr Tony McCann, managing director of Littlewoods' home shopping side, says that cable television technology exists today which could bring interactive video into homes. But it depends on the cables being laid throughout the country.

Either way it will probably be the mid-1990s before electronic home shopping arrives.

More immediately, the sector is in a state of transition. There are conflicting views on whether mail order can regain market share from the high street.

The traditional agency mail order system – where one person would have a catalogue and encourage family and friends to buy from it, taking a 10 per cent commission – has been growing more slowly than the retail sector as a whole.

Originally the extended "free" credit offered by mail order companies was practically the only way for poorer people to buy on credit. Now the much wider availability of credit cards and personal loans has changed that.

Also the agents, usually housewives, were often selling to 15 or 20 customers and making a business out of the catalogue. With more women working, the number of customers per agent has declined, and typically one agent acts for family and perhaps two or three friends.

That has meant the companies have to print more catalogues and deal with more agents to reach the same number of people.

Direct mail – where no agent is involved – has been the fast growth sector in home shopping. However, the agency business still accounts for nearly 90 per cent of the total home shopping sector, and analysts question whether direct mail is growing fast enough to make up for the relative decline.

Mall order market shares

(% of total sales shown)	1985 £2,665 mn	1986 £2,870 mn	1987 £3,170 mn
GUS/Kay	42.8	42.1	41.3
Littlewoods	24.8	24.0	24.5
Freemans	13.1	14.0	14.0
Grattan	9.8	10.7	11.0
Empire Stores	6.1	6.2	5.9
N. Brown	2.1	2.4	2.8
Others	1.3	0.6	0.5
Total	100.0	100.0	100.0

Source: Corporate Intelligence Group estimates

A recent report on the sector by the Corporate Intelligence Group, a retail sector research firm, concludes that "mail order's core business is still the traditional mainstream agency catalogue selling on credit to lower income groups."

The arrival in recent years of "specialogues", small catalogues aimed at a particular type of customer, was hailed as the method to rejuvenate the sector. While some have been very successful – such as Great Universal Stores' Complete Kit – others have fallen by the wayside.

Mr Alan Dean, chief executive of N. Brown, a mail order group solely involved in direct mail and specialising in clothing for older women of larger sizes, argues that specialogues can succeed only if data bases are detailed enough to allow sufficiently specific targetting of customers to ensure a high response rate to a catalogue.

He gives the example of being able to pick out from his lists of 5m people, women of a certain height, size or shoe size in certain geographical areas.

Home shopping retailers are increasingly bringing high street brand names to their catalogues. Next Directory, although not offering identical merchandise to the shops, is essentially bringing the brand name to home shopping.

Sears clearly sees a benefit from putting its high street brands in the Freemans' catalogue.

And Littlewoods' launch of a new catalogue, Imagination, soon after the Next Directory, also features a number of well-known brand names such as French Connection, Top Man and Levi's.

Mr McCann of Littlewoods says: "People feel much happier with brands, rather than unbranded goods, especially on direct mail where they are paying for goods much earlier."

Maggie Urry

US shopping centres are having to change

Age of 'super malls'

THE CREAM of Chicago society received a transparent parchment envelope containing an invitation to pay $225 to honour fashion-designer Karl Lagerfeld.

The cabaret-style dinner, scheduled for September 23, is a benefit for the Chicago Symphony Orchestra and a celebration of the opening of Bloomingdale's flagship mid-western store.

The opening of Bloomingdale's in downtown Chicago highlights the $10bn gamble by Robert Campeau, the Canadian shopping mall magnate, that a shopping centre owner can do as much for department stores as the famous retailing names have done to make shopping malls the prime retailing environment in America.

More than half of the US's retail sales now come from malls, which grew 5.4 per cent in 1987 to $584bn. According to the International Council of Shopping Centres, in 1987 they exceeded the number of post offices or secondary schools in America.

Over the past year, Mr Campeau has bought the retailing conglomerates Allied Stores Corp. and Federated Department Stores which includes such well-known names, besides Bloomingdale, as Abraham & Straus, Burdine's, Rich's and Jordan Marsh. He sees value in the famous old retailing names even though their fortunes have suffered at the hands of shopping centres.

Developers use well-known retail names to "anchor" malls that make their money from the smaller shops that pay high rents and a percentage of their revenues for the remaining space.

Despite the price break and the appeal of their name, department stores have paid a high price to shed their dowdy image. High investment and the vicissitudes of fashion – including last year's fiasco with women's rejection of short skirts – did little to improve their lot.

A shopping centre builder buying department stores was such a potent idea that competitors did not sit idly by while Mr Campeau pursued the takeover. Edward J. DeBartolo Corp., an Ohio-based mall developer, tried to come to the rescue of Allied Stores. Campeau ultimately won Allied for $3.6bn but divided the spoils with DeBartolo.

The Federated manoeuvres cost $6.6bn because Macy's ran the price up from an initial offer of $47 a share to $80. In the end, Macy's gave up the struggle in return for two of Federated's West Coast retail chains, I. Magnin and Bullock's.

By the end of the Campeau assault, the constellation of American retailing was fundamentally altered. From Allied alone, Campeau sold Brooks Brothers to Marks & Spencer for $750m and Bon Wit Teller to L.J. Hooker, the Australian mall developer.

The whole industry was saddled with enormous debt, which created a ripple effect. Robert Campeau's acquisition of Lazarus department stores, part of Federated, forced a staff cutback of almost 10 per cent.

Macy's shed 250 of its 9,500 employees, and Bloomingdale's was forced to consider ways to cut $60m from its annual operating budget.

Such economies are being blamed for retailing's lacklustre result through the summer. Department stores, which have become increasingly fashion-conscious, are substituting store brands for designer lines to cut costs and resist the price-cutting that affects competitive brands.

For example, Macy's has its own 80-strong designer group, while other retailers produce copies of the latest fashions.

Store brands have grown to 30 per cent of department stores' clothing inventory, against only 6 per cent in 1981.

This break-up of the long-term alliance between designers and department stores is also resulting in well-known labels starting their own speciality shops. The new retailers include the likes of Christian Dior, Williwear, Liz Claiborne, and Calvin Klein.

Even more of a challenge than speciality shops are the "super malls" that go beyond shopping altogether to attract people with entertainment.

When Hooker Corporation entered the American market, it surveyed shoppers and found that entertainment was the mall's greatest attraction. As a result Hooker is planning five super malls.

Its first, Forest Fair in Cincinnati, will have a 18-hole miniature golf course and baseball batting cages.

With more than half the country's malls built at least 15 years ago, extensive renovation is necessary to keep up with the new competition. F.W. Dodge, a real estate information service, estimates that in the first half of 1988, mall owners spent almost $650m renovating existing facilities.

The 14 per cent increase is necessary because "a mall that was built 15 to 20 years ago doesn't have the amenities they do today," according to Herman Renfro of Melvin Simon & Associates.

The company is revamping 30 of its malls over the next two years, compared to only six in the past three years. New amenities include food centres, children's rides, a more careful mix of shops emphasising high fashion and the addition of natural light, waterfalls and architectural features.

Robert Campeau was following an established formula in buying big retailing names to anchor new malls. But having spent so much, he has to hope that entertainments – or the economy – do not sink his strategy.

Frank Lipsius

The Co-operative movement

Struggling to survive

THE DECLINE of the Co-operative movement as retailer has been almost unrelenting in the last 20 years.

From 1957 when there were more than 1,000 co-operative societies holding a 12.5 per cent share of total retail sales, the number of societies has consistently declined and the share of the market fallen to under 5 per cent now.

"The Co-ops are dead," says one rival in the food retailing sector. Others are scathing about the long-promised revival of the movement, which has its origins in the early 19th century — when groups of workers banded together then to open shops selling wholesome food at reasonable prices, and divided the profits in proportion to their purchases.

The sceptics may yet be under-estimating the Co-ops' ability to survive, and even recover. Slowly a more realistic attitude towards solving its problems is being taken by the movement, although perhaps its worst difficulty is paralysis when it comes to translating the will to change into action.

The fall in the number of co-ops has been symptomatic of the movement's decline but could at the same time contain the seeds of its revival. The main motive for the mergers in the movement, which have reduced the societies' numbers, has been the near failure of many of them.

Hostile takeover bids are, naturally, impossible in the co-op movement so the mechanism which sorts out under-achievers among public companies has not been available to co-ops. Instead merger has often been a last resort for a society in difficulties, while successful ones have generally preferred to stay single even if a marriage would be advantageous.

The Co-op: going for a quality image

Thus profitable co-ops have often found themselves lumbered with taking over and sorting out loss-making, problematic societies rather than being able to expand along more normal business lines.

However, this dismal pattern is beginning to change. The Co-operative Wholesale Society, which over the years has picked up a number of retail societies, has more recently found that mergers can be made from positions of strength.

For example, the Kirkintilloch Society, based near Glasgow, joined the CWS in April 1987 because it had the opportunity to develop a £4m superstore and needed to be part of a bigger group to go ahead. The superstore opened last month.

As the number of societies falls, mergers inevitably will decrease and the remaining ones can concentrate on improving their performance.

There has also been an effort to improve management of the co-ops. Co-operative Retail Services, the UK's largest retail society, took over the London Co-op in 1981, then half CRS's size. It took some years to digest that merger, which exposed weaknesses in the management structure.

In 1985 CRS started a complete reorganisation of its management, increasing central control, shortening communication lines and making responsibilities clear. Mr Harry Moore, chief executive of CRS, says that reorganisation was partly behind a 24 per cent rise in its surplus for the year ended January 1988.

CRS is also taking the steps towards improving its store profile, its distribution and information technology which other retailers have done.

Similarly, CWS has reorganised its activities and reported 27 per cent higher profits before dividend and tax in 1987.

As mergers continue, more such reorganisations will be necessary. There is a broad agreement within the Co-operative movement that mergers should bring numbers down until a total of 25 strong regional retail societies is reached. And there is support for a merger between CRS and the CWS's retailing activities.

Mr Moore agrees with the target of 25. He believes that with that number of societies each "will be of such a size to have the resources to provide the kind of image the co-op movement wants."

However, he says it could take three to five years to reduce to 25 societies. Meanwhile, the co-ops could fall further behind the fast-moving developments in the retail sector. Even so, Mr Moore argues, it is never too late.

One of the Co-op's major problems is the lack of a coherent national image. Sir Dennis Landau, chief executive of CWS, points out that collectively the Co-op spends as much as J. Sainsbury or Tesco on advertising. But, he says, "a lot of it is wasted and would be better spent if we co-ordinated on a common theme."

The movement is attempting to promote the Co-op brand throughout the country and has launched a "Fusspots" campaign designed to give the brand a high-quality image.

But in the view of some observers, the Co-op can rival its national competitors only by becoming one national chain with one board

An article in a recent issue of Co-operative News, the newspaper of the movement, called for greater co-operation between the various co-ops.

It said that if there were 25 societies "we shall have 25 trading policies, 25 shop designs, 25 advertising programmes, 25 images."

The Co-op might also be hampered in the highly-competitive retail industry by its emphasis on service to customers and the community rather than profits.

For instance, it has stores in small communities such as the highlands and islands of Scotland where other retailers do not bother. Co-op profit margins are generally well below those of the well-known quoted groups.

However, Mr Moore, for one, does not believe the two motives are mutually exclusive. "Eventually," he says, "one depends on the other. The Co-op must be strong and commercially viable to serve the community." **Maggie Urry**

The big food retailers face the prospect of saturation

Superstores taking over

FOLLOWERS OF the food retailing sector have a nightmare idea of the mid to late-1990s. Britain will then be a land covered in superstores, so much so that the majority of shoppers will be within a few minutes' drive of at least two and probably more.

As the troubled dreamer looks inside these superstores he sees rows of queueless check-outs and the aisles are strangely empty of jostling trolley-pushers. This frightening vision is called saturation.

The theory is that if the major food retailers continue their current rapid expansion, within five, or at the most 10, years there will be more superstores — officially shops with a sales area of over 25,000 square feet — than the volume of available business can justify.

When that day dawns, the argument runs, the major grocery chains will wake up to a fiercely competitive environment with the consequent effect on profitability. The minimal margins of the US food retailers are a frightening example.

This is clearly a far too simplistic analysis of the likely course of events, and the position certainly will not be reached at the same time throughout the country. However, it is based on an extrapolation of current trends.

UK grocers' market shares

	83/84 %	84/85 %	85/86 %	86/87 %	87/88 %
Tesco	11.3	12.0	12.5	13.1	14.0
J. Sainsbury	11.7	12.3	12.8	13.5	13.9
Dee	4.2	7.7	12.2	11.1	11.5
Argyll				9.6	10.7
Presto etc	(5.0)	(5.7)	(5.7)	(5.7)	(6.1)
Safeway	(3.0)	(3.2)	(3.6)	(3.9)	(4.6)
Asda	7.2	7.4	7.5	7.4	7.6
Co-op	13.8	13.3	13.3	12.4	12.1

Source: Verdict Research

Tesco, for instance, is spending £1bn over three years on new stores, distribution warehouses and electronic systems. Asda is spending the same amount in the same time with the bulk going on new stores. Last year it spent £169m opening nine superstores and plans to open 14 in the current year.

Argyll opened 21 new Safeway stores in its last financial year, to March 1988, with 23 planned this year. By 1991 there will be 400 Safeways (including conversions from Argyll's Presto stores) compared with 176 at the end of March, an increase in square footage terms from 2.9m sq ft to about 6.5m.

J. Sainsbury last year opened 16 supermarkets, totalling 490,000 sq ft of selling space, and plans to open 18 in the current year, adding a further 562,000 sq ft.

All these new shops will have to generate sufficient sales to make an adequate return on investment, and since a new superstore can cost £20m to open, business must be brisk.

So far it has proved relatively easy for the new superstores to pick up trade, often from independent grocers who have gone out of business or from smaller shops owned by the same major grocery chains which have been closed.

In 1961, before the self-service supermarket revolution really began, there were more than 150,000 grocery shops. Now there are about 40,000.

At the same time the economics of running superstores are such that profit margins are often very much higher, even double, those in smaller shops. Thus there is every encouragement to the retailers to press ahead with the expansion which has been partly responsible for the rise in food retailers' net margins in the last few years.

The major groups are not worried by the threat of saturation. Mr Ian MacLaurin, chairman and chief executive of Tesco, argues that "fears about saturation have been greatly overstated." He points to the rapid development of food retailing over the last 10 years and suggests that revolution will continue with new formats appearing.

Tesco had a chain of hundreds of small high street stores in the mid-1970s, and the group has been almost entirely repositioned since then. Now it has 140 superstores out of a total of 380 outlets, and Mr MacLaurin believes that gives Tesco scope to continue growing for a number of years.

He also points out that although the population of the UK is virtually static, food spending is not. As more convenience foods are developed, new products launched, and more exotic fruits made freely available, spending on food has grown, though not as rapidly as retail sales as a whole.

Nor does Mr Alastair Grant, head of Argyll, believe the outlook is one of gloom and doom but one of a shifting of opportunities. He forsees a time — probably around 1993 or 1994 — when it will not pay retailers to spend £15m on a new superstore because the potential returns will be insufficient.

Then Argyll's expansion programme might slip down to perhaps 15 new stores a year, of which probably 10 would be the replacement of small stores by larger ones.

"At that point each of the major retailers will be throwing off huge quantities of cash," he predicts. And when a management team has built up a company of that size, there should be the talent to use the cash constructively.

Mr David Gransby, deputy chairman of Asda, puts a date of 1995 on the arrival of saturation, although he thinks it will be a gradual process with places such as Lancashire and Essex nearly saturated already and others badly underprovided with modern supermarkets.

He believes there is still a lot of growth to come from replacing small, often poor-quality shops with larger ones.

There is also the belief in the trade that the number of major players will decline. At present the five leading food retailers have nearly 60 per cent of the market between them, with the Co-operative societies together holding another 12 per cent.

Many believe that one, or possibly two, of the leading groups will have to drop out. That would enable others to increase their market shares.

As for the fears of tougher competition, the food retailers are banking on brand loyalty from their customers. The likes of Sainsbury, Tesco and Safeway, and Marks and Spencer in its food departments, have built up a brand image in their customers' minds as strong as any that food manufacturers have.

This has been done partly by developing a food shopping environment which takes at least some of the unpleasantness out of the chore. Asda, for instance, claims to have attracted shoppers simply by changing the decor from dull brown to a fresher green.

Once inside, customers are increasingly offered ranges of store-branded fresh foods, ready-made meals and packaged goods .

In Tesco, Mr MacLaurin says, about 50 per cent of canned and packet goods are the leading manufacturers' brands. But in fresh foods and wine, 85 per cent or more of lines are Tesco's own label.

M & S food departments offer no other brand than its own. Sainsbury's own label business accounts for about 60 per cent of sales. Both Asda and Gateway have recognised the importance of own label and are introducing more own-label lines.

Price wars are not expected to re-emerge. Unlike the bitter price cutting battles in the 1970s, when inflation was high and shoppers less affluent than now, in the 1980s the majority of shoppers are less concerned about price than quality and convenience.

So long as food retailers stick to making a good return out of their investments in superstores, the dreaded saturation should not herald falling profitability rather a slowing of expansion and diversification into other areas - such as a build up of non-food retailing or a move overseas.

Yet as Ms Jill Johnson, food retail analyst at James Capel, the stockbroker, says: "Whether or not saturation happens, the stockmarket will worry about it, and that means uncertainty." **Maggie Urry**

Food retailers' volume performance

(UK figures: 1980 = 100)

	Multiple Grocers	Small Grocers	Co-ops	Dairies	Butchers	Green-grocers	Fish-mongers	Bakers
1980	100	100	100	100	100	100	100	100
1981	106	96	96	98	96	100	104	92
1982	114	92	92	96	90	98	105	86
1983	123	84	92	96	94	103	102	90
1984	130	77	90	96	97	104	100	96
1985	140	77	90	93	95	106	96	94
1986	149	76	90	92	93	103	97	95
1987	159	76	92	90	93	102	94	96

Source: Corporate Intelligence Group based on DTI official indices

Store cards

Under more scrutiny

"IT IS certain that there are too many examples where credit is being over-marketed without proper checks being made on the likely ability of the borrower to repay," Sir Gordon Borrie, director-general of fair trading, asserted in a speech last year, shortly before asking the Monopolies and Mergers Commission to investigate the credit card industry.

He added: "As someone said to me recently of a certain department store - they are giving away credit cards like sweeties."

Yet in spite of this Sir Gordon decided not to include store cards in the investigation being carried out by the Commission — a surprising decision given the sharp growth in popularity of retailers own credit cards in the 1980s.

Even so, store cards are increasingly coming under scrutiny in official circles as one of the factors behind the surging consumer boom which is sucking in imports and creating an old-fashioned balance of payments crisis.

It is hardly surprising, therefore, that the leading retailers such as Burtons and Marks & Spencer have come together to form a lobbying group — the Retail Credit Group — to defend their role in making credit more widely available.

Earlier this month, the group published figures indicating that lending by its members had slowed slightly over the past year.

Total credit borrowed by customers of the stores involved reached £1.12bn at the end of March this year. This was about three per cent of total consumer credit, excluding mortgages. Outstanding credit grew by 18 per cent during the financial year ended in March, compared with 21 per cent in the preceding year.

This slow-down in the rate of credit advanced is emphasised even further by the group's figures which show that credit accounts held by customers grew by 28 per cent last year to total just under 7m. As a result, the amount borrowed per customer fell by 8 per cent — a fall of 11 per cent in real terms.

"These figures clearly undermine any suggestion that retailers have been fuelling the credit boom," says Ms Elizabeth Stanton, the group's director.

"What seems to be happening is that people are becoming more sophisticated and responsible in using their store cards and that they pay off their balances on them a bit more quickly than previously."

The overall size of the store card market is not as easy to quantify as the main credit card market, since there are many more individual retailers with their own cards in comparison to the Visa and Access networks.

However, research by the National Consumer Council and estimates by the market research company Market Assessment puts the total number of store cards in circulation last year at 10.6m. This compares with an estimate of just 5m cards in 1982.

This growth rate reflects the increased realisation by retailers of the marketing benefits to be gained from offering their own credit card facility.

"From the moment an application form is processed, the retailer is able to monitor individual spending in terms of regularity of purchase and product choice, with cross-reference to the cardholder's personal details," Market Assessment points out in a recent report.

"In this way the retailer can build up a database for its most loyal band of consumers from which it can plan and target new ranges of products and services."

The store group which has most enthusiastically embraced its own credit cards is the Burton Group, whose outlets include Burton, Debenhams, Top Shop, Harvey Nichols, Dorothy Perkins, and Principles. Burtons had some 2.6m credit card customers at the end of last year, accounting for a quarter of all cards issued.

Burton's premier position in this market, however, is being challenged by Marks and Spencer which made a dramatic impact on the credit card market in 1985.

Marks had long scorned the use of any type of credit card in its stores but found that consumers' soaring demand for credit facilities was hard to refuse.

Within six months of its launch, more than 1m Marks' customers had a credit card from the store. (Marks prefers to call it a chargecard rather than credit card, although it operates in the same way as a Visa or Access card rather than as an American Express-style charge card.)

So popular has the Marks card become that by the end of last year the store had some 1.5m cardholders, rising to more than 2m at present. Last year the card accounted for 12.5 per cent of sales by value, up from 11 per cent in 1986 and 8 per cent in 1985.

Club 24, part of the Next Group, is another major retail credit card operation with over 1.6m cardholders. It administers cards not only for Next but also for rival store chains such as Dixons, Texas, Tandy, and Etam.

House of Fraser also has about 1.5m cardholders, while the Sears Group has some 700,000 customers with its own card.

Not all store cards have proved successful, however. The Boots charge card was phased out from April this year and is being replaced with a low-interest personal loan scheme for larger products sold

Nonetheless, the future for store cards looks bright. Market Assessment, for example, forecasts that there will be some 17.5m cards issued by 1992.

"It is still a relatively young market in comparision with bank credit cards and charge cards," it says.

David Churchill

DIARY DATES

Trade Fairs and Exhibitions: UK

Current
British Marine Industries Federation International Boat Show(0703 737400)(until September 24)
Southampton

September 25-27
International Garden and Leisure Exhibition - GLEE (01-390 2211)
NEC, Birmingham

September 27-29
Water and Environmental Management Exhibition and Conference (01-637 2400)
Eastbourne

September 27-29
City of London Wine Fair (01-638 4141)
Barbican, London EC2

September 28-30
National Finance Directors Exhibition and Conference (01-837 1133)
Business Design Centre, London

October 2-4
International Flower Trades Exhibition - IFTEX (01-486 1951)
Alexandra Palace, London

October 2-4
British Footwear Fair (01-739 2071)
Olympia

October 7-9
National Franchise Exhibition (01-727 1929)
Kensington Exhibition Centre

October 7-10
British Designer Show (01-385 1200)
Olympia

October 10-16
International Motorcycle Show (01-385 1200)
Earls Court

Overseas Exhibitions

Current
International Hardware Show - QUOJEM (01-225 5566) (until September 21)
Paris

September 21-26
International Beverage Production and Brewing Technology Exhibition - CHINA BEVERAGE/CHINA BREW (0494 729406)
Beijing

September 26- October 2
International Technical Fair (0892 48111)
Plovdiv

October 5-8
International Furniture, Furnishings & Household Equipment Exhibition - MODERN HOME (01-236 2399)
Hong Kong

October 5-10
Book Fair (01-734 0543)
Frankfurt

October 10-13
Gulf Information Technology Exhibition (01-930 3881)
Dubai

October 11-14
Computer Show (0869 244738)
Moscow

Business and management conferences

September 19,20,21
The FT City seminar (01-925 2323)
Plaisterers Hall, London EC2

September 20
CBI Conferences: Your annual report (01-379 7400)
Centre Point, London

September 21-23
International Chamber of Commerce: Investing for growth - opportunities in worldwide deregulation trends (Paris (1) 45.62.34.56)
Istanbul

September 22-23
The Institute of Chartered Accountants: The 1988 Industrial Tax Conference (0908 668833)
Holiday Inn, Leicester

September 22-23
Acquisitions Monthly in conjunction with Business Research International: How to buy and sell companies (01-637 4383)
London Marriott Hotel, W1

September 22
The Institue of Directors: Coping with growth - directing the expansion of business (01-839 1233)
Holiday Inn, Manchester

September 26
Public Issue Conferences: The industrial gas market in Britain and Europe (01-283 7962)
London Press Centre,EC2

September 28- October 1
Local Enterprise Development Unit/Small Firms Task Force of the European Commission: The Enterprise in Action Conference (0238 561993)
Belfast

September 28-30
RIRG: Captive insurance companies (01-836 0614)
The White House Hotel, London NW1

September 30
M11 Corridor Review/Bidwells: Strategy for development in Cambridgeshire (0954 31984)
Churchill College, Cambridge

October 3
CBI Conferences: Opportunities in China: who will benefit in the1990s? (01-379 7400)
Centre Point London WC1

October 5-6
Institute of Administrative Management: Evaluating offices for the 1990s (0689 73333)
The Brewery, London EC1

October 11
Confederation of British Industry/The Royal Institute of International Affairs: The external implications of the single European market (01-930 2233)
Centre Point, London WC1

October 17-18
International Business Communications: Technology for retail banking (01-236 4080)
Inn on the Park, London W1

October 20-21
Financial Times Conferences: Electronic financial services (01- 925 2323)
Hotel Inter-Continental, London W1

October 20-21
Arthur Andersen & Co: Corporate Venturing (01-836 1200)
Sonesta Hotel, Amsterdam

October 25
Leatherhead Food RA: Innovation in the food and drink industries (0372 376761)
Regents Park, London

October 31- November 1
Financial Times Conferences: Professional personal computers in the 1990's (01-925 2323)
Hotel Inter-Continental, London W1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes in the details published

FINANCIAL

TODAY
COMPANY MEETINGS-
BOM Hldgs., Rangers Stadium, South Africa Road, W., 2.00
Dalepak Foods, Royal York Hotel, York, 12.00
Property Tst., Cafe Royal, 68, Regent Street, W., 10.00
Quest Group, Watermen's Hall, 16, St. Mary-at-Hill, E.C., 11.00
Rexmore, Regent House, Rexmore Way, Liverpool, 12.00
Zygal Dynamics, Barbican Centre, Barbican, E.C., 12.00
BOARD MEETINGS-
Finals;
Armour Trust
Benchmark
Bryant Group
Cantors
Estates Property Inv. Co.
GT Japan Inv. Tst.
Gabicci
Glaxo
Green (E.) & Partners
Ind. Fin. & Inv.
Pennant Group
Really Useful Group
Tennant Props.
Interims;
Antler
Brent Chemicals
Coats Viyella
Delaney Group
EIS Group
Holmes Protection
Jacks (Wm.)
Kleerfold Inc.
Memec
Metsec
Morgan Crucible
Paragon Comms.
Ransomes Sims & Jefferies
Renown Inc.
Tarmac
Trinity Intl.
Tysons (Contractors)
Waterford Glass/Waterford Wedgwood
DIVIDEND & INTEREST PAYMENTS-
Arab Banking Corp. Fltg. Rate Nts. 1995 $366.15
Bangkok Invs. Ptg. Red. Prf. Baht 2
CASE Group 0.75p
Christiania Bank OG Kreditkasse Rev. Fltg. Rate Nts. 1997 $922.48
Eve Group 4.5p
Ford Motor 3cts.
Kakuzi-Kn80
Korea Exchange Bank Fltg. Rate Nts. 1995 £118.78
Midland Bank Und. Fltg. Rate Prim. Cap. Nts. (Sept. 1985) $372.57
Ransom (Wm.) 0.9p
Ransomes Sims & Jefferies 5½% Cum. Prf. 1.925p
Reuters Hldgs. B 2.8p
Treasury 11½% 2001/04 5¾pc.
Wace Group 1.25p
Wereldhave Fl.4.75

TOMORROW
COMPANY MEETINGS-
Argyll Group, Savoy Hotel, Strand, W.C., 12.00
Brookmount, The Brewery, Chiswell Street, E.C., 11.30
C.H. Inds., Savoy Hotel, Strand, W.C., 11.00
Clarke Hooper, 12, The Grove, Slough, Berks., 11.00
Markheath Securities, The Westbury, Conduit Street, W., 11.00
BOARD MEETINGS-
Finals;
Abingworth
Broadcast Comms.
Everest Foods
Fitch & Co.
Irish Glass
Minorco
Mucklow (A. & J.)
Polypipe
Zambia Copper Invs.
Interims;
Beauford Group
Bemrose
Bowthorpe
Clyde Pet.
Cussins Property
Davis (Godfrey)
Davis (Godfrey)
Davis (Godfrey)
Holt (Joseph)
Kwik-Fit Hldgs.
Quarto Group
Royal Sovereign
Silentnight
Singer & Friedlander
Sovereign Oil & Gas
Watmoughs
Yule Catto
DIVIDEND & INTEREST PAYMENTS-
B.C.E. Hldgs. 0.6p
Credit National Gtd. Fltg. Rate Nts. 1995 £117.83
Enron Corp. 62cts.
Exchequer 10½% 2005 5¼pc.
Limited Inc. 6cts.
M. & G. American & General 1p
M. & G. Commodity & General 1.3p
M. & G. Intl. Growth 5p
Marine Midland Banks Fltg. Rate Sub. Nts. 2009 $199.65
Pfizer 50cts.
Polly Peck Intl. 2.2p
Riggs National Fltg. Rate Sub. Nts. $199.65
Ruberoid 1.15p
Standard Chartered Und. Prim. Cap. Fltg. Rate Nts. £118.61
Trent Hldgs. 1p
Williams Hldgs. 4p

WEDNESDAY SEPTEMBER 21
COMPANY MEETINGS-
Booth Inds., St. James' Club, Charlotte Street, Manchester, 11.00
Fleming Tech. Inv. Tst., 25, Copthall Avenue, E.C., 12.00
BOARD MEETINGS-
Finals
Bankers Inv. Tst.
Barratt Dev.
Interims;
Addison Consultancy
Bank of Scotland
Bank of Wales
Bentalls
Britannia Group
Cakebread Robey
Corah
Dinkie Heel
Kleinwort Benson
Laidlaw Thomson
Laporte Inds.
Oliver (G.) Footwear
Pittard Garner
Power Corp.
Proudfoot (Alexander)
River & Mercantile Cap. & Inc.
Stag Furniture
Tilbury Group
Worcester Group
Young Group
DIVIDEND & INTEREST PAYMENTS-
Abbey National Bldg. Soc. Fltg. Rate Nts. 1991 £236.10
Booth Inds. 1p
Citicorp Fltg. Rate Sub. Cap. Nts. 19/9/95 $198.06
CoxMoore 2.25p
Flogas 3.746p
Industries Resistol Fltg. Rate Nts. 1988 $230.00
Leumi Intl. Invs. Gtd. Fltg. Rate Nts. 1988 $37.38
Lone Star Inds. 47.5cts.
Marine Midland Bank Fltg. Rate Sub. Cap. Nts. 1996 $199.85
Quadrant Intercontinental (Intl. Bond) $0.0191
Do. (European) $0.0029

THURSDAY SEPTEMBER 22
COMPANY MEETINGS-
Banks (Sidney C.), Sun Hotel, Hitchin, Herts., 12.30
Electric & General Inv., 3, Finsbury Avenue, E.C., 12.30
Kenyon Securities, Great Western Royal Hotel, Praed Street, Paddington, W., 5.30
Mountleigh Group, Savoy Hotel, Strand, W.C., 12.30
Sandell Perkins, Lords Banqueting & Conference Centre, St. Johns Wood Road, N.W., 11.30
Stoddard Sekers, Glenpatrick Works, Elderslie, Renfrewshire, 12.00
Tomkins, Hyatt Carlton Tower Hotel, 2, Cadogan Place, S.W., 11.30
BOARD MEETINGS-
Finals;
Benson Group
Haggas (John)
Logica
Multitone Elect.
St. Davids Inv. Tst.
Strong & Fisher
Tor Inv. Tst.
Waterman Partnership Hldgs.
Interims;
APV
Antofagasta Hldgs.
Baltic
Baltica Hldgs.
Bilston & Battersea
Boddington Group
Bridon
Central Independent T.V.
Glogau Gold Mines
Close Brothers
Connells Estate Agents
F & C Pacific Invs.
Filofax
Food Inds.
Hampden Homecare
Herring Son & Daw
Highcroft Inv. Tst.
Hornby
Kiny Little
Martin Currie Pacific Tst.
Micro Focus
Morrison (Wm.) Supermarkets
Newarthill
RMC
Rockware
Sindall (Wm.)
Spring Ram
Systems Reliability
T & S Stores
DIVIDEND & INTEREST PAYMENTS-
Baldwin 1p
Biotechnology Invs. 1cts.
C.H. Inds. 3p
Evode Group 1.42p
Exchequer 12½% 1990 6¼pc.
Exchequer 13½% 1992 6¾pc.
Fairway (London) 1p
Fleming Tech. Inv. Tst. 1.3p
Hall (R. & H.) 1p
Halliburton 25cts.
Impala Platinum Hldgs. 120cts.
Nationwide Bldg. Soc. Fltg. Rate Nts. 1995 (2nd Ser.) £46.39
Priest (Benjamin) 0.4p

FRIDAY SEPTEMBER 23
COMPANY MEETINGS-
Arlen, Savoy Hotel, Strand, W.C., 11.30
Mainmet Hldgs., Five Flags Hotel, Ripon House, Manywells Heights, Cullingworth, Bradford, 12.00
Real Time Control, Elton House, Elton Way, Watford, Herts., 12.00
Smith New Court, Institute of Chartered Accountants, Moorgate Place, E.C., 12.15
Unitech, Howard Hotel, Temple Place, Strand, W.C., 12.00
BOARD MEETINGS-
Finals;
Miller & Santhouse
Interims;
Comprehensive Fin. Services
Haden Maclellan
Liberty
Macallan Glenlivet
Sykes-Pickavant
DIVIDEND & INTEREST PAYMENTS-
Abbey Panels Invs. 1.2p
Anglia Bldg. Society Fltg Rate Nts. 1996 £116.48
Black & Decker 10cts.
Chapman Inds. 8½% 1st Mtg. Deb. 1993/98 4¼pc.
Davy Corp. 4.25p
Electric & General Inv. 1.25p
European Inv. Bank 11% Ln. 2002 5½pc.
Hercules 48cts.
Lodge Care 0.5p
Nash Inds. 1.2p
National & Provincial Bldg. Soc. Fltg. Rate Nts. 1998 £117.04
North Midland Construction 1p
Porter Chadburn 0.8p
Rights & Issues Inv. Tst. 1.3p
Ross Consumer Electronics 2.3p
Treasury 2% I L. 1992 £1.0562
Vantage Securities 0.8p

SATURDAY SEPTEMBER 24
DIVIDEND & INTEREST PAYMENTS-
AMS Inds. 0.5p
Asian Dev. Bank 10¼% Ln. 2009 5⅛pc.
Intl. Bank for Rec. & Dev. 9½% Ln. 2010 4¾pc.
Sidlaw 7½% Un. Ln. 2003/08 3¾pc.
Smith New Court 5.5p
Spain (Kingdom of) 11¾% Ln. 2010 5⅞pc.
Treasury 2½% I.L. 2001 £1.6495

SUNDAY SEPTEMBER 25
DIVIDEND & INTEREST PAYMENTS-
Assoc. Brit. Foods 7½% Un. Ln. 1987/2002 3¾pc.
Do. 5½% Un. Ln. 1987/2002 2¾pc.
Centrovincial Estates 6¼% Un. Ln. 1988/93 3⅛pc.
Ecobric Hldgs. 12¾% Cv. Un. Ln. 1988/90 6⅜pc.
Hanson 10% Cv. Un. Ln. 2007/12 5pc.
Lonrho 9% 2nd Mtg. Deb. 1987/92 4½pc.
Manchester Corp. 3% Red. Cons. 1928 1½pc.
New Zealand 11½% 2014 5¾pc.
Renold 8% 1st Deb. 1991/96 4pc.
TSB Gilt Fd. Ptg. Red. Prf. (Class B) 1p
Treasury 8% 2009 4pc.

COMPANY NOTICES

FINA

PETROFINA

Société Anonyme
52 rue de l'Industrie - B-1040 Brussels
R.C. Brussels No 227.957

Since the necessary quorum was not reached at the Extraordinary General Meeting of August 30, 1988, Messrs. Shareholders are convened to attend a second Extraordinary General Meeting, which will be held in Brussels, at 52, rue de l'Industrie, on September 28, 1988 at 11.15 p.m.

Whatever the number of shares represented at this second meeting, resolutions will be validly taken on the original agenda, namely:

1. Capital increase of BF3,406,789,000 by incorporation of reserves, to bring the capital of BF34,064,326,796 to BF37,471,115,796.
Issue of 1,829,639 new shares of no nominal value, which shall be of the same nature and, as of January 1, 1988, enjoy the same rights and benefits as the 18,296,397 existing shares, excepting the special rights and benefits reserved for the 125,090 AFV shares issued by the Extraordinary General Meeting of June 3, 1982.
Allocation, at no charge and without issue of fractions, of new shares to shareholders, at the rate of one new share, coupon N° 3 and following attached, for every ten shares held, against remittance of ten coupons *N° 2, detached from shares held.*
Given the balance outstanding on the number of existing shares divided by ten, one shareholder agrees to renounce his rights to allocation for seven shares in his possession.
2. Amendment of Article 5 of the Articles of Association, to reflect the new capital situation and its representation.
3. Powers to be conferred to the Board of Directors to implement resolutions passed and determine terms and conditions thereof, in particular relating to the price for exercising of warrants.

Holders of bearer shares are requested, if this is suitable for them, to deposit their shares **no later than Thursday, September 22, 1988** at the following institutions:

United Kingdom:
Banque Belge Ltd., Bishopsgate 4, London EC2N 4AD.
Belgium:
all branch offices of Générale de Banque
all branch offices of Banque Bruxelles Lambert
all branch offices of Kredietbank
all branch offices of Banque Paribas Belgique.
France:
Crédit du Nord, 6-8 Boulevard Haussmann, 75009 Paris
Banque Nationale de Paris, 16 Boulevard des Italiens, 75009 Paris.
The Grand Duchy of Luxembourg:
Banque Générale du Luxembourg, 14 rue Aldringen and 27 avenue Monterey, Luxembourg
Banque Internationale à Luxembourg, 2 Boulevard Royal, Luxembourg.
The Netherlands:
Amsterdam-Rotterdam Bank, Foppingadreef 22, 1102 BS - Amsterdam
Algemene Bank Nederland, Amsterdam and Rotterdam Branches.
Germany:
Commerzbank, Neue Mainzer Strasse 32-36, 6000 Frankfurt
Deutsche Bank, Grosse Gallus Strasse 10-14, 6000 Frankfurt
Dresdner Bank, Jürgen-Ponto Platz 1, 6000 Frankfurt.
Italy:
Credito Italiano, Piazza Cordusio, Milano.
Switzerland:
Crédit Suisse, Paradeplatz 8, 8001 Zurich
Swiss Bank Corporation, Aeschenvorstadt 1, 4002 Basle
Union Bank of Switzerland, Bahnhofstrasse 45, 8001 Zurich.

The Board of Directors

Ford

Following the DIVIDEND DECLARATION by the Company on 14 July 1988 NOTICE is now given that the following DISTRIBUTION will become payable on or after 19 September 1988.

Gross Distribution per Unit	3.00 cents
Less 15% U.S.A. Withholding Tax	0.45 cents
	2.55 cents
Converted at $1.7125	£0.014890458

Claims should be lodged with the DEPOSITARY; National Westminster Bank PLC, Stock Office Services, 20 Old Broad Street, London EC2, on special forms obtainable from that office.

United Kingdom Banks and Members of the Stock Exchange should mark payment of the dividend in the appropriate square on the reverse of the certificate.

All other claimants must complete the special form and present this at the above address together with the certificate(s) for marking by the National Westminster Bank PLC. Postal applications cannot be accepted.

DATE: 14 September 1988

SOCIETE GENERALE
$US 300.000.000
FLOATING RATE NOTES DUE 1996

For the six months, September 16, 1988 to March 15, 1989, the rate of interest has been fixed at 8,5625% P.A.

The interest due on March 16, 1989 against coupon nr 5 will be, for the denomination $US 10.000, $US 430,50 and for the denomination $US 100.000, $US 4305,03 and has been computed on the actual number of days elapsed (181) divided by 360.

The Principal Paying Agent,
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, avenue Emile-Reuter
LUXEMBOURG

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FINANCIAL TIMES, 10 CANNON STREET, LONDON EC4P 4BY

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Prof male/female to share delightful 3 bed Victorian house with 1 other. All facilities inc w. machine, tumble dryer, dishwasher etc. Super large garden and conservatory. 6 mins walk B.R. station, 15 mins Cannon Street, 20 mins Charing Cross or Holborn Viaduct. £260 exc.per month.
Tel: 01-489 0032 office 01-318 0298 Eves/W.Ends

CONTRACTS & TENDERS

CONSTRUCTION OF PIPELINE

The Water Utilities Corporation of the Republic of Botswana invites companies from the member countries of the African Development Bank and state participants of the African Development Bank to submit bids for the execution of Contract WUC/FT 17 Transfer Pipeline to Gaborone Dam which comprises:

- Construction of 34 kilometres of 600 mm diameter ductile iron transfer main (Class K9) from Bokaa Dam to Gaborone
- Supply and installation of associated fittings, valves etc
- Construction of reinforced concrete valve and swabbing chambers, and a discharge structure at Gaborone Dam
- Pipe-jacking of the main under an existing railway line

Only companies from the member countries of the African Development Bank will be eligible to bid, and bidders must show evidence of satisfactory appropriate experience and financial position. It is unlikely that a bid from any company with less than six years experience of similar pipelines construction and a current financial turnover of less than US Dollars 6 million will be accepted.

The bidding documents are available from the offices of Sir M MacDonald and Partners at either:

Demeter House	or	PO Box 2466
Station Road		First Floor, BCC Building
Cambridge		Plot 1278
CB1 2RS		Lobatse Road
UK		Industrial Estate
(attention Contracts Department)		Gaborone
		Botswana

at a cost of US Dollars 300 for each set on or after 17 October 1988.

Bids shall be submitted to the address below before 1400 hours on 6 January 1989. Bids without a Bid Bond of Pula 300 000 will not be accepted, and the Corporation is not bound to accept the lowest or any bid.

The date, time and place of bid opening will be notified in due course. All bidding procedures, evaluation and award will be conducted according to ADB rules and procedures.

Water Utilities Corporation
P O Box 127
Sedibeng House
17530 Luthuli Road
Industrial Site
Gaborone
Botswana

INVITATION FOR BIDS
RTA 3/88

The peoples Democratic Republic of Ethiopia, Ethiopian Road Transport Authority (RTA) has received a credit from the International Development Association (IDA) and it is intended that part of the proceeds of this credit will be applied to eligible payment under the contract for the supply of Training Trucks.

The RTA now invites sealed bids from eligible bidders for the supply of Training Trucks.

Interested bidders from member countries of the world bank (IDA), Switzerland, Taiwan and China may obtain further information from the RTA procurement office Room N° 404. The bidding document may be purchased by any interested eligible bidder upon payment of a non refundable fee of Birr 50. The closing date for the submission of tenders shall be 15:00 hours local time on October 4, 1988.

Bids will be opened in the presence of the bidders or their representatives in the conference room of the head quarters building on October 7 1988 at 14:00 hours local time.

The Authority reserves the right to reject any or all bids.

Ethiopian Road Transport Authority
P.O. Box 2504
Tel. 15-80-19 Telex 21539, RTA ET
Addis Ababa
Ethiopia

PUBLIC NOTICES

Court of Session, Scotland

Petition of North Sea Assets plc, a Company incorporated under the Companies Acts, having its registered office at 16 Charlotte Square, Edinburgh, for confirmation of reduction of capital and reduction of share premium account. A petition has been presented to the Court of Session, Edinburgh at the instance of North Sea Assets plc, in which Petition an Order is sought that the provisions of Section 136(2) of the Companies Act 1985 shall not apply as regards the creditors of the company or any class of them; to pronounce an order confirming the reduction of capital and the reduction of share premium account resolved upon by the Special Resolution of the Company dated 17th December 1987 and to approve of the Minute set forth in the Petition; to direct the registration of the said Order and Minute by the Registrar of Companies and on the said Order and Minute being registered by the Registrar to appoint intimation to be made once in The Edinburgh Gazette and by such other advertisement, if any, as to the Court shall seem proper. An Interlocutor in the said Petition was pronounced on 30 August 1988 by Lord Weir in the following terms:-

"The Vacation Judge appoints the Petition to be intimated on the Walls of Court and in the Minute Book in common form; and to be advertised once in each of The Edinburgh Gazette, The Financial Times and Scotsman newspapers; allows all parties claiming an interest to lodge Answers, if so advised, within twenty-one days after such intimation and advertisement."
"Signed Alan Moffat DCS"

Of all which intimation is hereby given.

Shepherd & Wedderburn, W.S.
17 Charlotte Square, Edinburgh
Agents for Petitioners.

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PERSONAL

80 PIANOS TO BE SOLD. Upright and Grand Pianos from £300 - £30,000 including two of the finest Steinway models seen at auction. Sale commences 1am Thursday 22nd Sept - viewing 2 days prior. Full details from the auctioneers Phillips West Two, 10 Salem Road, London, W2 4BU. 01-221 5303

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Anderson Ormé Unit Tst Mgrs Ltd (1200)F
62 London Wall, London, EC2R 7DQ 01-638 1200

Growth Tst	2	196.8	201.7	206.9	2.25	–
High Income Tst ♥	5	35.96	36.29	38.61	5.81	–
Intl Recovery Acc	5	38.79	40.11	43.13	1.32	–
Intl Recovery Inc	5	28.29	29.26	31.46	1.32	–

Anthony Wieler Unit Tst Mgmt Ltd (1000)F
19 Widegate St, London E1 7HP 01-377 1010

Growth Income	5	100.7	103.3	109.9	1.4	40089
Do Accum	5	141.6	145.2	154.5	1.4	40090
Quarterly Income	5	49.7	52.1	55.4	7.0	40091

Arkwright Management (1400)F
1 King St, Manchester M60 3AH 061-832 0242

Growth Sept 13	5	90.59	90.59	96.37	2.41	40092
Income Sept 13	5	44.99	44.99	47.87	5.14	40093

Buckmaster Mangmt Co Ltd (1200)H
The Stock Exchange, London EC2P 2JT 01-588 2868

Emerging Gwth	5	57.7	59.19	62.8	1.76	40205
(Accum Units)	5	58.13	59.63	63.27	1.76	–
Fellowship Tst	5	58.04	59.64xd	63.28	1.93	40206
(Accum Units)	5	59.16	60.78xd	64.49	1.93	40207
General Inc	5	249.9	249.9	264.3	3.25	40208
(Accum Units)	5	412.8	412.8	436.5	3.25	40209
Income	5	129.9	134.4	142.6	4.70	40210
(Accum Units)	5	244.9	253.2	268.6	4.70	40211
International	5	104.6	104.6	110.6	1.81	40212
(Accum Units)	5	141.8	141.8	150.0	1.81	40213
Smaller Co's	5	93.24	95.72	101.56	1.30	40214
(Accum Units)	5	101.3	104.1	110.4	1.30	40215
Inv Portfolio	2½	45.86	47.89	49.38	4.00	–

London & Manchester (Tst Mgmt) Ltd (1000)H
Winslade Park, Exeter EX5 1DS 0392 282673

American	5	30.15	30.48	32.36	0.8	40828
General	5	46.55	46.81	49.69	3.7	40829
Income	5	41.95	42.41xd	45.02	6.1	40830
International	5	35.27	35.60	37.79	0.9	40831
Japan	5	50.76	51.00xd	54.14	–	40832
Tst of Inv Trusts	5	34.74	35.55	37.74	2.0	40833

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Dec. 1423/1432 +2	Dec. 1769/1779 N/C	Dec. 2099/2111 N/C

Prices taken at 5pm and change is from previous close at 9pm

JOTTER PAD

CROSSWORD

No. 6,737 Set by TANTALUS

ACROSS

1 "The Pirates of Penzance" are in them (8,6)
10 Village in the north or possibly north-east (5)
11 Cheese I select perhaps with hesitation (9)
12 Planter accepts pound for old hansom cab (7)
13 Slipped away, pleased with change (7)
14 Waste a thin strip of wood (5)
16 Hounds surrounding fashionable prams (9)
19 Offer support to bury a pip so to speak (9)
20 Beat back a number in South African province (5)
22 Parents treated equine part (7)
25 Drop of French perfume (7)
27 Sailor and I ignore drunken native (9)
28 Love new road to the east (5)
29 Help her put tins in order for children's game (4,3,7)

DOWN

2 He would find a word for it! (9)
3 5 out (5)
4 Fare talking (9)
5 Energy to chase (5)
6 A rope twisted on empty container for a performance (9)
7 Friends start making all the enemies scatter (5)
8 "With Tarquin's ravishing —— toward his design" (Macbeth) (7)
9 Puts on platforms (6)
15 RAC listen out for thief (9)
17 Veronica shows haste going to spring (9)
18 Maybe enter animal shelter for some steak (9)
19 Bring charge against him – pace uncontrolled (7)
21 Latvian upset about missive (6)
23 Scoff at second officer joining fleet (5)
24 On rising, is sweetheart making a din? (5)
26 I leave fish meal for rascal (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday October 1.

GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust Information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out last Friday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
TSB Unit Trusts (y) (1000)F						
Charlton Pl, Andover, Hants. SP10 1RE						0264 63434
TSB American	5	100.73	100.73	107.04	2.11	41457
Do Accum	5	108.12	108.12	114.88	2.11	41458
TSB Brit Growth	5	52.48	52.48	55.83	3.39	41459
Do Accum	5	54.18	54.18	57.64	3.39	41460
TSB European	5	49.78	49.92	53.11	1.16	41461
Do Accum	5	51.13	51.28	54.55	1.16	41462
TSB Extra Income	5	139.32	141.19	150.20	6.02	41463
Do Accum	5	179.84	182.25	193.88	6.02	41464
TSB Smaller Cos	5	51.46	53.06	56.45	1.21	41465
Do Accum	5	52.38	54.00	57.45	1.21	41466
TSB General	5	169.60	169.60	180.43	3.48	41467
Do Accum	5	293.58	293.58	312.32	3.48	41468
TSB Gilt & Fxd Int	3¼	46.71	46.71	48.31	9.12	41469
Do Accum	3¼	70.52	70.52	72.94	9.12	41470
TSB Income	5	249.75	249.75	265.69	5.26	41471
Do Accum	5	417.45	417.45	444.10	5.26	41472
TSB Pacific	5	205.38	206.44	219.62	0.32	41473
Do Accum	5	213.54	214.64	228.34	0.32	41474
TSB International	5	321.26	322.04	342.60	1.03	41475
Do Accum	5	404.08	405.10	430.96	1.03	41476
TSB Nat Resources	5	59.79	60.39	64.24	1.42	41477
Do Accum	5	62.85	63.47	67.52	1.42	41478
TSB Sited Opps	5	75.98	75.98	80.83	2.47	41479
Do Accum	5	86.70	86.70	92.23	2.47	41480
Target Trust Mngrs Ltd (1600)H						
Target Hse, Gatehouse Rd, Aylesbury, Bucks.						
Admin: 0296 394000						Dealing: 01-379 0850
American Eagle	5	64.14	64.14	68.99	0.26	41482
Australia	5	7.544	7.544	8.080	0.10	–
Commodity	5	73.60	73.60	79.45	0.62	41484
Convertible	5	138.1	139.0xd	151.0	5.04	41485
Equity	5	142.6	142.6	154.0	3.39	41486
Euro Spec Sits	5	77.29	77.29	83.06	1.64	41487
Financial	5	29.51	29.51xd	32.00	2.13	41488
Global Opps Inc	5	55.43	55.43	59.70	0.63	41489
Global Opps Acc	5	55.43	55.43	59.70	0.63	41490
Gold Income	5	48.77	48.77	52.25	0.00	41491
Gold Acc	5	89.83	89.83	96.24	0.00	41492
Income	5	99.70	99.70xd	107.2	4.73	41493
Japan	5	119.7	119.7xd	128.8	0.00	41494
Pacific Inc	5	111.7	111.7xd	120.6	0.06	41495
Pacific Acc	5	138.6	138.6	149.6	0.06	41496
Preference Share	5	24.24	24.24	26.30	7.67	41497
Special Sits	5	93.10	93.10xd	100.2	[illegible]	[illegible]

	Bid Price	Offer Price	Yield Gross	City-line
MIM Ltd				
Magd Pens (Acc)	53.4	56.9	0.80	41007
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Sept 14	39.9	41.4	2.30	41064
Euro Expt Sept 14	39.8	41.7xd	2.73	41065
Fixed Int Ex Sept 14	48.1	50.4	9.72	–
Japan Expt Sept 14	52.4	54.5	0.47	41066
Managed Ex Sept 15	37.5	39.0	4.68	41067
SE Asia Expt Sept 14	36.4	38.2	1.98	41068
Sm Cos Expt Sept 14	42.5	44.6	2.81	41069
UK Eqty Ex Sept 14	34.3	36.0xd	4.23	41070
New Court Property Fund Managers				
NC Property	189.5	199.5	–	41205
Phillips & Drew Fnd Management Ltd				
P&FM Small Co Fd (2)9	772.0	817.0	3.75	41138
Do Accum	795.0	844.0	3.75	41139
P&FM Int Expt Sept 15	126.3	128.3	2.69	41140
J. Rothschild Fund Managers Ltd				
Intl Exempt	91.60	92.75	2.98	40172

INSURANCES

	Bid Price	Offer Price	Yield Gross	City-line
AA Friendly Society				
Investment Mngt M & G Inv Mngt Ltd				
AA Friendly Sy Sept 8	–	134.9	–	41607
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth				0202 292373
Prop. Ser. 1	257.6	271.2	–	41608
Equity Ser. 1	110.7	116.6	–	41609
Prop. Acc. Ser 2	373.1	392.8	–	41610
Equity Ser 2	125.7	132.4	–	41611
Selective Acc	285.3	300.4	–	41612
Prop. Ser 4	293.3	308.8	–	41613
Equity Ser. 4	130.0	136.9	–	41614
Fixed Int. Ser. 4	210.5	221.7	–	41615

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

	Bid Price	Offer Price	Yield Gross	City-Line
Pearl Assurance (Unit Funds) Ltd				
252 High Holborn, London WC1V 7EB 01-405 8441				
Prop Dist. (Gross)	174 4	183 6	–	43235
Prop. Acc. (Gross)	282.5	297.4	–	43236
Equity (Gross)	635 8	669 3	–	43237
Managed (Gross)	459.8	484 0	–	43238
Prop Acc. (Net)	130 5	137 4	–	43239
Equity (Net)	149.8	157.7	–	43240
Managed (Net)	142 0	149.5	–	43241
International (net)	130 4	137.3	–	43242
Gilt & Fxd Interest	99 1	104.4	–	43243
Money Fund	100 8	106.1	–	43244
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	434.5	457 4	–	43245
Ret Man (Series 2)	147 4	155.2	–	43246
Ret Man (Series 3)	96 9	96 9	–	–
Ret Cash	124 7	131.3	–	43247
Ret Cash (Series 3)	102.2	102.2	–	–
Phoenix Assurance Co Ltd				
Phoenix House, Redcliff Hill, Bristol 0272 294941				
Life Assurance Funds				
Wealth Assd	382.5	402.8	–	43248
Eb'r Ph Eq	344.2	366.6	–	43249
Pension Plan Funds				
Phoenix				
UK Equity Acc.	164 6	173 2	–	43250
International Acc.	141 9	149.3	–	43251
Property Acc	148 2	156 0	–	43252
Fixed Interest Acc.	154.1	162 2	–	43253
Money Acc.	144.0	151.5	–	43254
Bldg Soc Link Acc.	140.8	148 2	–	43255
Special Mnged. Acc Q.	150 9	158.8	–	43256
Phoenix/Framlington				
Intnl Growth Acc.	89 00	93.60	–	43257
Am Smllr Cos. Acc.	89.90	94 60	–	43258
Capital Tst. Acc.	170.5	179 4	–	43259
Japan & Gen Acc	192 7	202.8	–	43260
American Tarm Acc.	98 80	103 9	–	43261
Recovery Tst Acc.	177 1	186 4	–	43262
Special Mngd Acc.	147.7	155 4	–	43263

Provident Life Assoc Ltd

Provident Way, Basingstoke

Provident Mutual Life Assc. Assn.

William Rd, Hitchin, Herts

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
	"Shorts" (Lives up to Five Years)					
41	Redemption 3pc 1986-96	99¼xd	–	25.8	1Apr 1Oct	1278
2,050	Treas. 9½pc '88	99[illegible]	11.80	21.3	25Apr 25Oct	1346
2,250	Treas 11½pc 1989	99[illegible]	11.52	18.7	22Aug 22Feb	1291
855	Treas 9½pc Cnv 1989	98[illegible]xd	11.57	12.9	18Oct 18Apr	1348
500	Treas 3pc 1989	96½	8.73	8.4	15Nov 15May	1327
1,400	Treas 10½pc 1989	99[illegible]	11.59	9.5	14Dec 14Jun	1287
2,400	Exch. 10pc 1989	98[illegible]	11.56	27.6	1Feb 1Aug	1250
2,000	Exch 11pc 1989	99[illegible]xd	11.38	23.8	29Mar 29Sep	1256
601	Treas 5pc 1986-89	95½xd	9.96	8.9	15Apr 15Oct	1329
535	Exch 10¼pc Cv '89	98[illegible]	11.16	8.4	15May 15Nov	1255
1,000	Treas 13pc 1990‡‡	102[illegible]	10.74	8.6	15Jul 15Jan	1300
1,400	Exch 11pc 1990‡‡	100[illegible]	10.65	6.7	12Aug 12Feb	1257
1,250	Exch. 12½pc 1990	102[illegible]xd	10.81	16.8	22Sep 22Mar	1262
550	Treas. 3pc 1990	90[illegible]	9.09	5.4	8Nov 8May	1325
600	Treas 8¼pc 1987-90‡‡	96[illegible]	10.61	9.5	15Dec 15Jun	1340
1,000	Treas. 8pc Cv 1990‡‡	96[illegible]	10.10	9.6	16Jul 16Jan	4680
1,887	Treas. 10pc Cv 1990	98[illegible]	10.80	21.3	25Apr 25Oct	1285
500	Exch 2½pc 1990	87[illegible]	8.77	15.4	22May 22Nov	1270
2,200	Treas 11¾pc 1991	101[illegible]	10.73	3.6	10Jul 10Jan	1292
400	Funding 5¾pc '87-91‡‡	90¼xd	9.90	1.9	5Oct 5Apr	1275
400	Treas. 3pc 1991	86[illegible]	8.83	6.4	13Nov 13May	1326
646	Treas 10pc Cv '91‡‡	98[illegible]	10.53	6.6	12Jan 12Jul	1286
1,550	Exch. 11pc 1991	100[illegible]	10.62	21.3	25Apr 25Oct	1258
1,350	Treas. 8pc 1991	92[illegible]	10.62	4.5	10Jun 10Dec	1335
900	Treas 12¾pc 1992‡‡	106	10.51	15.6	22Jul 22Jan	1297
1,600	Treas 10pc 1992	98½	10.50	15.7	21Aug 21Feb	1283
1,400	Treas. 8pc 1992‡‡	92[illegible]xd	10.53	6.9	13Oct 13Apr	1337
1,288	Treas 10½pc Cv 1992‡‡	99[illegible]	10.51	31.3	7Nov 7May	1289
500	Treas. 3pc 1992	82[illegible]	8.60	5.5	11Dec 11Jun	1328
1,350	Exch. 12¼pc '92	105[illegible]	10.53	19.7	25Feb 25Aug	1265
1,757	Exch 13½pc 1992	109[illegible]xd	10.56	16.8	22Mar 22Sep	1266
950	Treas 8¾pc 1993	92[illegible]	10.46	12.7	18Aug 18Feb	–
1,850	Treas 10pc 1993‡‡	98[illegible]xd	10.40	8.9	15Oct 15Apr	1279
1,100	Treas 12½pc 1993‡‡	107[illegible]	10.46	7.6	14Jan 14Jul	1296
600	Funding 6pc 1993‡‡	[illegible]	9.00	9.8	15Mar 15Sep	1276
	Five to Fifteen Years					
1,250	Treas 13¾pc 1993‡‡	112½	10.51	18.4	23May 23Nov	1304
1,050	Treas. 8½pc 1994	92	10.46	27.6	3Aug 3Feb	–
750	Tr 8½pc 1994 'A' (50% pd)	42[illegible]	10.47	–	3Feb 3Aug	–
600	Treas 14½pc 1994‡‡	116[illegible]	10.47	26.7	1Sep 1Mar	1307
1,100	Exch 13½pc 1994	111[illegible]	10.60	21.3	27Oct 27Apr	1267
1,400	Treas. 10pc Ln. 1994‡‡	98[illegible]	10.33	3.5	9Dec 9Jun	1284
1,550	Exch. 12½pc 1994	108¼	10.58	18.7	22Feb 22Aug	1263
1,600	Treas 9pc 1994‡‡	94[illegible]	10.27	11.4	17May 17Nov	1345
2,350	Treas 12pc 1995	106[illegible]	10.52	20.6	25Jul 25Jan	1294
229	Exch 3pc Gas 90-95	81	6.59	25.3	1Nov 1May	1271
2,100	Exch. 10¼pc 1995	99[illegible]	10.38	14.6	21Jan 21Jul	1254
1,000	Treas 12¾pc 1995‡‡	111½	10.41	8.4	15May 15Nov	1298
900	Treas. 14pc '96	117[illegible]	10.54	15.6	22Jul 22Jan	1305
750	Treas. 9pc 1992-96‡‡	94[illegible]	10.10	9.8	15Sep 15Mar	1344
1,350	Treas 15¼pc 1996‡‡	124½	10.50	28.3	3Nov 3May	1309
800	Exch 13¼pc 1996‡‡	114¼	10.43	8.4	15Nov 15May	1268
1,109	Conversion 10pc 1996	98[illegible]	10.31	8.4	15May 15Nov	1240
1,500	Treas 13¼pc 1997‡‡	115[illegible]	10.36	15.6	22Jul 22Jan	1302
3,100	Exch 10½pc 1997	101¼	10.28	15.7	21Aug 21Feb	1253
3,750	Treas 8¾pc 1997‡‡	92½	10.10	26.7	1Mar 1Sep	1341
1,000	Exch 15pc 1997	125[illegible]	10.52	21.3	27Apr 27Oct	1269
2,850	Exch. 9¾pc 1998	97½	10.22	13.6	19Jul 19Jan	1273
1,000	Treas 6¾pc 1995-98‡‡	82	9.68	25.3	1Nov 1May	1331
1,100	Treas. 15½pc '98‡‡	131[illegible]xd	10.40	24.8	30Mar 30Sep	1308
2,500	Exch. 12pc 1998	110[illegible]	10.30	13.4	20May 20Nov	1259
1,250	Treas 9½pc 1999‡‡	96[illegible]	9.99	8.6	15Jul 15Jan	1347
2,900	Exch. 12¼pc 1999	112[illegible]xd	10.29	22.8	26Sep 26Mar	1264
1,252	Treas. 10½pc 1999	101[illegible]	10.18	12.4	19Nov 19May	1288
1,548	Conversion 10¼pc 1999	100[illegible]	10.17	15.4	22May 22Nov	1242
1,200	Treas. 8½pc Ln 2000‡‡	90¼	9.92	21.6	28Jan 28Jul	1338
1,554	Conversion 9pc 2000‡‡	93[illegible]	9.95	28.7	3Sep 3Mar	1244
1,817	Treas. 13pc 2000	118¼	10.29	7.6	14Jan 14Jul	1299
1,050	Treas 10pc 2001	99[illegible]	10.04	20.7	26Aug 26Feb	1280
1,250	Treas. 14pc '98-01	121	10.47	15.4	22Nov 22May	1306
802	Conversion 9¾pc 2001	98[illegible]	10.00	4.7	10Feb 10Aug	1248
1,600	Exch. 12pc '99-02	110[illegible]	10.30	15.6	22Jul 22Jan	1261
716	Conversion 10pc 2002	100¼xd	9.97	5.9	11Oct 11Apr	1241
1,450	Treas 9¾pc 2002	98[illegible]	9.93	21.7	27Feb 27Aug	1349
1,300	Exch. 9pc 2002	93[illegible]	9.88	12.4	19May 19Nov	1272
1,800	Treas. 13¾pc 2000-03	122[illegible]	10.34	20.6	25Jan 25Jul	1303
1,000	Treas 10pc 2003	100[illegible]	9.87	2.8	8Mar 8Sep	1281

BRITISH FUNDS – Contd

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
	Undated					
359	Consols 4pc.	42[illegible]	–	27.6	1Feb 1Aug	1299
1,909	War Loan 3½pc‡‡	37[illegible]	–	25.4	1Jun 1Dec	1352
154	Conv. 3½pc '61 Aft.	58xd	–	25.8	1Apr 1Oct	1243
56	Treas. 3pc '66 Aft.	31[illegible]xd	–	1.9	5Apr 5Oct	1324
276	Consols 2½pc.	26[illegible]xd	–	1.9	5Ja Ap Jul O	1238
475	Treas. 2½pc.	26[illegible]xd	–	25.8	1Apr 1Oct	1315
	Index-Linked	(b)	**			
500	Treas 2pc IL '90 (84.6)	121[illegible]	3.21	20.6	25Jul 25Jan	1311
650	Do. 2pc '92‡‡ (97.8)	101¼xd	3.55	17.8	23Mar 23Sep	1312
400	Do. 2 '94 (102.9)	93¾	3.58	–	16Nov 16May	–
1,000	Do. 2pc '96 (67.9)	137½	3.62	10.8	16Mar 16Sep	1313
900	Do 2½pc '01 (78.3)	113½xd	4.02	18.8	24Mar 24Sep	1316
800	Do. 2½pc '03 (78.8)	110[illegible]	4.03	13.4	20Nov 20May	1317
1,200	Do. 2pc '06 (69.5)	112½	4.01	13.6	19Jan 19Jul	1314
950	Do. 2½pc '09 (78.8)	105½	4.00	13.4	20Nov 20May	1318
1,350	Do. 2½pc '11 (74.6)	109	4.00	18.7	23Feb 23Aug	1319
1,100	Do. 2½pc '13 (89.2)	90¼	3.97	11.7	16Feb 16Aug	1320
1,700	Do. 2½pc '16 (81.6)	97¼	3.93	20.6	26Jan 26Jul	1321
1,400	Do. 2½pc '20 (83.0)	95xd	3.87	9.9	16Oct 16Apr	1322
900	Do. 2½pc '24‡‡ (97.7)	79¼	3.82	10.6	17Jan 17Jul	1323

**Prospective real redemption rate on projected inflation of 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for January 1988:103.3 and for August 1988:107.9

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

Amount £m	Stock	Price £	Div % Gross	Yld	Last xd	Interest Paid	City-line
7	Greek 7pc Ass.	45xd	3.50	[illegible]	3.5	1May 1Nov	2763
4	Do. 6pc 28 Stb. Ass.	45	3	6.67	1.8	1Feb 1Aug	2762
–	Do 4pc Mixed Ass.	45xd	2	4.44	5.4	1Apr 1Oct	2761
1	Hung. '24 Ass.	75	2.75	3.67	3.5	1May	2935
40	Hydro Quebec 15pc 2011	132[illegible]	15.00	11.01	28.4	31May 30Nov	–
30	Ireland 14½pc Ln 2016	124½	14.50	11.49	4.1	31Jan 31Jul	–
30	Ireland 9¾pc '91-96	94½	9.75	10.50	1.8	1Mar 1Sep	3002

AMERICANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
6,578.6	Abbott Laboratories‡	28¾xd	$1.20	2.4	12.7	Fb My Ag Nv	1503
223.6	Allegheny & W 1c	433p	30c	4.1	–	–	–
1,497.9	Amax $1	12¼	Q20c	1.0	5.8	Mr Jn Se De	1581
1,181.3	Amdahl 5c	11¼xd	h10c	0.5	10.8	Nv Mr Jn Aq	–
2,678.9	Amer. Cyanamid $5	29¼	$1.20	2.4	22.2	Mr Jn Se De	–
8,706.1	Amer. Express 60c	17½xd	76c	2.6	4.7	Fb My Ag Nv	1594
806.4	Amer. Medical Int. $1	992p	72c	4.3	11.1	Fb My Au Nv	–
16,373.1	American T. & T. $1	15¼	$1.20	4.6	27.5	Fb My Ag Nv	1597
7,785.7	Ameritech $1	55¼	$5.40	5.7	27.6	Fb My Ag Nv	–

Continued on next page

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

AMERICANS – Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
2,339.9	Texas Instr. $1	23⅛	72c	1.8	27.6	JAJO	–
5,587.5	Time Inc. $1	57⅜xd	$1.00	1.0	25.8	Mr Je Se De	4234
1,599.1	Transamerica $1	21xd	$1.84	5.1	29.5	Ja Ap Ju Oc	4289
538.2	TRINOVA Corp	15¼xd	64c	2.4	10.8	Mc Je Se De	4309
5,108.9	USX $1	16¼	$1.20	4.2	2.8	Mr Je Se De	4380
2,934.8	Utd. Technologies	22⅛xd	$1.60	4.2	24.8	Mr Je Sp Oc	4381
6,612.2	US West‖	33	$3.52	6.3	13.4	Fb My Ag No	–
5,328.5	Waste Management $1	23⅛xd	48c	1.2	16.9	Ap Jly Oc Jan	4439
1,012.5	Whirpool $1	14⅝	$1.10	4.4	25.01	Mr Je Se De	–
2,169.9	♥Woolworth $3½	32⅛	$1.64	3.0	19.11	Mr Je Se De	4540

CANADIANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
–	ABM Gold Corp ‖	195p	–	–	–	–	–
–	♥Abbot Energy Corp	13½p	–	–	–	–	–
551.8	♥Amer. Barrick Res.	958p	–	–	–	–	–
–	American Lightwave	3p	–	–	–	–	–
–	♥Armeno.	13p	–	–	–	–	–
–	Augmitto Explo.	46p	–	–	–	–	–
1,442.5	Bk. Montreal ‖	13⅛	$2.00	7.0	8.8	Fb My Ag Nv	–
1,204.1	Bk. Nova Scot.‖	726p	76c	5.1	28.6	Ja Ap Je Oc	–
4,829.6	BCE ‖	17⅛xd	$2.44	6.6	6.6	Ap Jy Oc Ja	–
275.4	♥Bow Valley‖	665p	♦40c	2.9	15.12	May Nov.	–
857.1	♥Brascan‖	12⅝	88c	3.4	28.10	Ja Ap Jy Oc	–
45.5	♥Breakwater Res.	203p	10c	2.4	–	–	–
1,878.1	Can Imp Bank‖	12	$1.16	4.7	29.6	Fe My Au No	–
1,030.7	Can Pacific ‖	10	60c	2.9	28.6	July Jan.	–
18.9	Do. 4pc Deb £100.	48½	4%	9.9	24.5	July Jan	2051
–	Central Capital "A" ‖	464p	–	–	–	–	–
–	♥Corona Corp	390p	–	–	–	–	–
55.4	Cons. TVX Min.	342p	–	–	–	–	–
–	Danbas Res	293p	–	–	–	–	–

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

هكذا من الأصل

LONDON SHARE SERVICE

LEISURE—Contd

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
13.5	Fairline Boats 10p	385	†9.0	3.1	20.6	Jan. July	2534
182.9	First Leisure	134xd	t2.34	2.3	5.9		2569
8.07	GWR Group 20p	545	—	—	—	—	4952
6.95	Grampian TVA 10p	48	2.5	6.9	25.4	Jan June	2752
2.80	Greenwich Comm	40	—	—	—	—	2772
45.0	HTV Ord	215	†9.8	6.1	21.3	Nov. Apr.	2797
84.8	Hanimex A$0.25	123	Q15c	5.9	3.5	Dec. June	2819
35.6	Hi-Tec Sports	143	L3.6	3.4	—	—	—
13.8	Juliana's Hldgs 2p	65	2.85	5.8	23.5	Nov June	3066
36.6	Kunick 10p	37½	†1.0	3.6	23.5	Mar. Jul.	4686
121.3	LWT 5p	142	5.7	5.4	21.3	Jan April	3239
150.0	LandLeisure 10p	354	8.0	3.0	4.7	October	3194
49.7	Leisure Inv 10p	98xr	g†1.45	2.0	7.3	January	3151
13.8	Leisuretime Int 10p	77xr	—	—	13.9	Jan Jul	3152
53.0	Marina Dev. 50p	355	1.0	0.4	—	—	3286
174.9	Mecca Leisure 10p	172	†g3.65	2.8	18.7	Mar Sept	3326
9.29	Medminster 10p	121	†t2.57	2.8	7.3	Apr. Dec.	3329
81.7	Midsummer Leis	436	†4.0	1.2	23.5	February	3384
6.05	Miss World 10p	310xd	8.0	3.4	21.3	Oct May	3394
11.5	Molinare Visions 50p	42	—	—	9'86	—	4598
—	Omnicorp Inv R250.5	21	Q2c	3.3	—	—	—
11.8	Orient Ex Htls $0.125	119	—	—	1'84	—	—
54.3	Owners Abroad 3p	63	g2.1	4.5	21.3	May	3574
3.78	Pavilion Leisure 10p	315	—	—	—	—	3611
10.6	P'dilly Radio NV 5p	133	†2.25	2.3	15.8	Apr Sept	3657
50.4	Pickwick	226	†2.6	1.5	7.3	Sept Mar	3658
469.1	Pleasurama 5p	216xd	†6.0	3.7	5.9	Oct. Jul.	3676
138.9	Do. 7pcCvCumRedPf	193	7%	4.8	8.2	Sept. Mar.	3677
43.6	Prestwich	121	†1.0	1.1	21.3	Apr Nov	3716
50.0	Prism Leisure 10p	140	4.46	4.2	1.8	—	3724
43.7	Quadrant Group 10p	230	3.0	1.7	6.6	Jan July	3737
5.28	Radio City 'A' NV	240	—	—	12'84	—	3755
11.4	Radio Clyde	195	†4.25	3.2	6.6	Jan July	3756
59.0	Realty Useful Grp 5p	533	†13.25	3.3	11.4	May Dec	3788

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
2.48	Rentaminster 5p	61	a1.0	2.2	—	—	5228
9.07	Royal Sovereign 10p	205	4.6	3.0	11.4	May Nov	1505
1.72	Scott Pickford 10p	24½	—	3.1	16.9	—	5062
7.01	Seacon Hldgs	101	Z1.0	1.3	—	—	3968
1.43	Sonic Tape 2½p	11½	—	—	—	—	—
6.63	Stats Hldgs. 5p	24	—	—	—	—	4625
4.63	Swanyard Studios 1p	3¼	—	—	—	—	4666
23.4	Takare	268	b1.0	0.5	—	—	4647
15.2	Theme Holdings	67	♦1.1	2.2	25.4	June Dec	4206
3.36	Tomorrows Leisure 20p	30	—	—	—	—	4248
10.6	Tullow Oil 10p	17	—	—	—	—	4886
4.43	UPL Group 10p	110	L2.41	2.9	23.5	—	4362
6.82	Unit Group	168	5.0	4.0	4.7	Jan July	4357
7.60	Video Tape Rec 5p	110	L2.3	2.8	9.5	—	4591

PROPERTY

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
64.3	Allied London 10p	116	†2.1	2.4	9.5	Jan July	1556
42.0	Do. 5½pc Cm Red Pref	105	5½%	7.3	22.2	—	1554
117.8	Arlington Sec 10p	149	4.0	3.6	21.3	May Nov	1649
89.7	Asda Property 20p	160	†1.0	0.8	25.4	July	1657
19.0	Do 5¼pc.Cm.Rd.Pf.	122	5¼%	5.6	23.5	Dec July	1658
8.15	BDA Hldgs. 10p	90	2.5	3.7	23.5	May Nov	1780
69.7	BHH Group 50p	98	1.25	1.7	11.4	—	4888
26.2	Baker Hrrls Sndrs10p	220	6.25	3.8	15.8	Feb Aug	1734
10.7	Barlows 10p	80	0.75	1.3	25.4	—	1761
34.8	Billingsgate City	135	5.9	—	—	—	—
180.6	Bilton (Percy)	422	13.96	4.4	11.4	Dec Aug	1831
186.0	Bradford Prop.	668	12.5	2.5	20.6	Dec. Aug.	1930
43.1	Bredero Props.	222	†5.0	3.2	11.4	Apr Oct	1940
11.3	Britannia Grp. 5p	100	L3.85	5.1	25.4	—	1962
705.6	British Land	314	4.0	1.7	20.6	Feb. Aug.	1916
259.8	Brixton Estate	316	7.8	3.3	6.6	July Nov.	1970
47.4	Broadwell Ld 50p	185	L4.1	3.0	—	—	—
68.4	Brookmount	320	5.25	1.3	1.8	Feb. Aug.	1977
40.6	Burford Group	330	L1.2	0.5	28.9	—	2010
29.6	Caird Group 10p	308	m0.5	0.2	8.2	May Nov	2032
478.5	Capital & Counties	363	†8.5	3.1	15.8	Apr Sep	2065
89.1	Do 5¾ pc Pref	96	5.75%	8.0	7.3	—	2063
13.0	Cap. & Reg. Prop.	118	0.3	0.4	9.5	—	2066
10.0	Cardiff Prop 20p	425	†1.9	0.6	15.8	Mar Sept	2071
149.6	Chesterfield	765	14.5	2.5	6.6	July Dec	2120
32.4	Do. 5.25% Cv. Cm. Pf.	108xd	5.25	6.5	5.9	Apr. Oct.	—
24.9	City Gate Ests.	315	L8.25	3.5	—	—	5163
7.57	Do. 3¾ pc Cv Rd Pf	313xd	3.75	1.6	5.9	—	5164
20.3	Citygrove 10p	238	†4.0	2.3	21.3	November	2149
9.63	Do. 7¼pc Cm Cv Rd Pf.	118	7¼%	8.8	25.4	—	4649
25.9	City Site Estates	177	†1.12	0.8	23.5	Jan Aug	2148
12.1	Clarke Nickolls	117	†3.5	4.0	23.5	July Nov	2156
77.9	Clayform Props 5p	232	†8.5	5.0	23.5	Dec. June	2158
1.64	Do. Warrants	48	—	—	—	—	2159

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ¥ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	70	.....
Craig & Rose £1	690	.....
Finlay Pkg. 5p	86	.....
Holt (Jos) 25p	£11⅞	−⅛

IRISH

Cap. 8½% Ln. 1991	£98⅞	.....
9pc Cap Ln. 1996	£99⅝	.....
Fin. 13% 97/02	£119⅝	.....
Arnotts	350	.....
Carrol Inds.	159	+2
Grafton Grp.	128½xd	.....
Hall (R. & H.)	160	+5
Helton Hldgs.	55xd	.....
Irish Ropes	143	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp.	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons.	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd.	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen.	25
Lex Service	33
Lloyds Bank	26
Lucas Inds.	50
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	30
NEI	10
Nat West Bk.	52
P & O Dfd	52
Plessey	16
Polly Peck	30
Racal Elect.	32
RHM	30
Rank Org Ord	64
Reed Intnl.	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	68
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property	
Brit Land	30
Land Securities	52
MEPC	52
Peachey	50

Oils	
Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	48
Premier	7½
Shell	95
Ultramar	26

Mines	
Cons Gold	95
Lonrho	20
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

The dangers of a temporary blip becoming a trend

by Jonas Crosland

STERLING'S POSITION at the moment can be equated with the eye of a storm. Last week's batch of economic data was weathered with surprisingly little damage; the next two weeks are likely to provide the other half of a potentially rough passage.

The rise in July's average earnings to 9 p.c. was worrying enough, without the compounding effect of an upward revision to 8¾ p.c. in June. The strength of manufacturing productivity has so far prevented a feed through into unit labour costs (the latter rose a modest 0.2 p.c. in July). But there is no escaping the probability that higher earnings will work some way towards compromising the impact of higher mortgage costs on the consumer.

In addition, the increase to 9 p.c. coincides with the Autumn round of annual pay negotiations, with all the dangers of promoting an upward and self feeding spiral.

Part of the problem arises from the inevitable time lag involved with the release of economic data. UK money supply figures for August - due for release tomorrow - cover a period which started with base rates one and half points below the current rate. They are also likely to include the residual effects of the rush to beat the August deadline on multiple mortgage relief.

The narrowly defined M0 is expected to remain well above the official 1-5 p.c. target range, while the broader based aggregates threaten to reach record levels, reflecting very large car sales in August.

Most analysts now see that the question is no longer whether there will be an economic slowdown, but when? The only factor in doubt is whether the landing for the UK economy will be hard or soft. Clearly the soft landing (soft in relative terms, that is) is preferable, and many forecasters expect the UK authorities to confirm this by increasing bank base rates once more, probably to 13 p.c.

The alternative, a collapse of real incomes through high inflation, is a scenario best avoided, and the mood of the market at the moment, reflected in a downward slope in the yield curve, suggests that it can be avoided.

However, the outlook for inflation has prompted many forecasters to upgrade their end-of-year projections to around the 7 p.c. level. Looking ahead still further, mortgage rates fell in February and March of this year, and so a decline in 1989 may be necessary to offset the dangers of a temporary blip becoming a trend.

The surprisingly mature response to last week's data can be explained away to some extent by the substantial interest rate differential running in sterling's favour, and also by the lack of a strong dollar trend. But it is entirely questionable whether this level of maturity will prevail.

Figures for July's US trade deficit, released last week showed a much better than expected decline. The fall to a single figure deficit on the old freight insurance definition, was seen as good news for the economy, but the dollar's reaction was relatively short lived. The threat of central bank intervention is seen as a major stumbling block to a sustained dollar revival, suggesting that the possibility of a stronger dollar would be ill timed.

The dollar's path is clouded not only by proximity of Presidential elections in the US, but also by this week's gathering of G7 finance ministers. West German officials are on record as showing their determination to support the D-Mark. Its weakness against the dollar, and the strong surge in West German exports, threatens to have a de-stabilising effect on the fixed parities within the European Monetary System.

£ IN NEW YORK

Sept. 16	Close	Previous Close
£ Spot	1.6785-1.6795	1.6785-1.6795
1 month	0.49-0.48pm	0.48-0.47pm
3 months	1.56-1.54pm	1.58-1.56pm
12 months	5.23-5.18pm	5.30-5.25pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sept. 16	Previous
8.30 am	75.4	75.4
9.00 am	75.3	75.4
10.00 am	75.3	75.5
11.00 am	75.3	75.4
Noon	75.4	75.4
1.00 pm	75.3	75.5
2.00 pm	75.3	75.5
3.00 pm	75.3	75.4
4.00 pm	75.4	75.4

CURRENCY RATES

Sept. 16	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.769905	0.660100
U.S Dollar	6.50	1.29167	1.10543
Canadian $	8.75	1.58049	1.35139
Austrian Sch.	4	17.0449	14.5805
Belgian Franc	7	50.8369	43.4812
Danish Krone	7½	9.29357	7.95788
Deutsche Mark	3½	2.42356	2.07273
Neth. Guilder	4	2.73382	2.33834
French Franc	9½	8.24344	7.04984
Italian Lira	12½	1809.15	1545.26
Japanese Yen	2½	N/A	148.281
Norway Krone	8	8.94481	7.66275
Spanish Peseta	-	161.804	138.388
Swedish Krona	8½	8.35129	7.15706
Swiss Franc	2½	2.04536	1.74975
Greek Drach.	20½	196.334	167.846
Irish Punt	-	0.902824	0.771453

*All SDR rates are for Sept. 15

CURRENCY MOVEMENTS

Sept. 16	Bank of England Index	Morgan** Guaranty Changes %
Sterling	75.4	-16.8
U.S Dollar	99.6	-8.7
Canadian Dollar	84.5	-2.9
Austrian Schilling	133.9	+9.9
Belgian Franc	97.7	-6.0
Danish Krone	88.8	+0.1
Deutsche Mark	144.0	+20.9
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100) *Rates are for Sept. 15

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sept. 16	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4812	+2.41	+1.06	±1.5344
Danish Krone	7.85212	7.95788	+1.35	0.00	±1.5404
German D-Mark	2.05853	2.07273	+0.69	-0.66	±1.0981
French Franc	6.90403	7.04984	+2.11	+0.76	±1.3674
Dutch Guilder	2.31943	2.33834	+0.82	-0.53	±1.5012
Irish Punt	0.768411	0.771453	+0.40	-0.95	±1.6684
Italian Lira	1483.58	1545.26	+4.16	+3.33	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Sept. 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6720-1.6805	1.6750-1.6760	0.48-0.45cpm	3.33	1.58-1.53pm	3.71
Canada	2.0455-2.0545	2.0485-2.0495	0.29-0.18cpm	1.38	0.86-0.67pm	1.49
Netherlands	3.54-3.55¼	3.54¼-3.55¼	1⅝-1½cpm	5.50	5⅝-5½pm	6.20
Belgium	65.65-66.05	65.90-66.00	29-19cpm	4.37	84-68pm	4.61
Denmark	12.05¼-12.08	12.06¼-12.07¼	4½-3¾orepm	3.92	12⅝-11¼pm	3.96
Ireland	1.1670-1.1750	1.1700-1.1710	0.44-0.39pm	4.25	1.40-1.28pm	4.58
W. Germany	3.13¾-3.15	3.14¼-3.14¾	1⅞-1¾pfpm	6.68	5⅝-5½pm	7.00
Portugal	257.70-259.35	257.95-258.95	14-50cdis	-1.49	24-111dis	-1.04
Spain	209.45-210.15	209.65-209.95	28-14cpm	1.20	90-72pm	1.26
Italy	2341-2347½	2343½-2344½	1pm-3liredis	-0.51	5-parpm	0.43
Norway	11.58-11.64	11.58½-11.59½	¼-1¼oredis	-1.29	1½-3⅞dis	-0.93
France	10.56-10.70½	10.68-10.69	3⅞-3⅛cpm	4.07	11½-10¾pm	4.16
Sweden	10.84½-10.87¼	10.85¾-10.86¾	1⅝-¼orepm	1.31	5½-4½pm	1.84
Japan	224½-225½	224½-225½	1⅜-1¼ypm	6.67	4¼-3⅞pm	7.11
Austria	22.04-22.13	22.05-22.08	12⅝-11¼gropm	6.46	36½-34½pm	6.44
Switzerland	2.64¼-2.65¾	2.64¾-2.65¾	1⅝-1½cpm	8.48	5¾-5½pm	8.48

Belgian rate is convertible francs. Financial franc 66.70-66.80. Six-month forward dollar 2.99-2.94cpm 12 months 5.25-5.15cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Sept. 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6720-1.6805	1.6750-1.6760	0.48-0.45cpm	3.33	1.58-1.53pm	3.71
Ireland†	1.4295-1.4345	1.4310-1.4320	0.10-0.15cdis	-1.05	0.32-0.42dis	-1.03
Canada	1.2215-1.2240	1.2230-1.2240	0.18-0.22cdis	-1.96	0.65-0.72dis	-2.24
Netherlands	2.1090-2.1180	2.1170-2.1180	0.47-0.45cpm	2.61	1.44-1.40pm	2.68
Belgium	39.20-39.40	39.30-39.40	4.00-2.00cpm	0.91	11.00-7.00pm	0.91
Denmark	7.18-7.20¾	7.20-7.20½	0.55-0.05orepm	0.50	0.55-0.05pm	0.17
W. Germany	1.8685-1.8780	1.8755-1.8765	0.51-0.48pfpm	3.17	1.54-1.49pm	3.23
Portugal	154½-156	154½-154¾	55-75cdis	-5.04	165-215dis	-4.91
Spain	124.95-125.35	125.10-125.20	20-30cdis	-2.39	70-80dis	-2.39
Italy	1395-1400	1398¼-1399¼	4.00-5.00liredis	-3.86	10.90-12.90dis	-3.40
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.80-39.90.

EURO-CURRENCY INTEREST RATES

Sept. 16	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Sept. 16	£	$
[illegible]	[illegible]	[illegible]

*Selling rate

EXCHANGE CROSS RATES

Sept. 16	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.676	3.145	225.0	10.69	2.653	3.548	2344	2.049	65.95
$	0.597	1	1.876	134.2	6.378	1.583	2.117	1399	1.223	39.35
DM	0.318	0.533	1	71.54	3.399	0.844	1.128	745.3	0.652	20.97
YEN	4.444	7.449	13.98	1000.	47.51	11.79	15.77	10418	9.107	293.1
F Fr.	0.935	1.568	2.942	210.5	10.	2.482	3.319	2193	1.917	61.69
S Fr.	0.377	0.632	1.185	84.81	4.029	1	1.337	883.5	0.772	24.86
H Fl.	0.282	0.472	0.886	63.42	3.013	0.748	1	660.7	0.578	18.59
Lira	0.427	0.715	1.342	95.99	4.561	1.132	1.514	1000.	0.874	28.14
C $	0.488	0.818	1.535	109.8	5.217	1.295	1.732	1144	1	32.19
B Fr.	1.516	2.541	4.769	341.2	16.21	4.023	5.380	3554	3.107	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000. Belgian Fr. per 100.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.6755	1.6709	1.6600	1.6459	1.6235
D-mark	3.1450	3.1280	3.0907	3.0411	2.9512
French Fr	10.685	10.682	10.674	10.664	10.649
Swiss Fr	2.6525	2.6341	2.5956	2.5444	2.4532
Yen	225.00	223.77	220.06	217.25	210.43

MONEY MARKETS

Hard times for the Bundesbank

THE WEST German Bundesbank has had its work cut out recently, trying to keep short-term interest rates down below 5 p.c. September is traditionally a month associated with substantial payments of tax, but this time, the draw on funds has been further increased by the Bundesbank's support for the D-Mark. Selling dollars and pulling D-Marks out of the system has merely exacerbated the problem.

The temptation to allow rates to rise is quite strong however. The D-Mark has been weak against the dollar, and higher rates would help to curtail the uncomfortably high level of capital outflows. But rates have already been increased, and the D-Mark is trading close to record highs against the Italian lira, and the French and Belgian francs.

UK clearing bank base lending rate
12 per cent
from August 25 & 26

Strains with the EMS have been played down in recent weeks. It is true that even the weaker currencies are trading within their divergence limits, and that central bank intervention will continue to smooth out sharp fluctuations. In addition, the French authorities have shown their determination to defend the franc by increasing interest rates.

Last week's meeting between Mr Karl Otto Poehl, President of the Bundesbank, and Mr Pierre Beregovoy, French finance minister, was taken as an opportunity to re-affirm their commitment to retaining existing parities. Nevertheless, the nagging doubt which has surfaced in recent weeks, remains.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sept 16) 3 months US dollars		6 months US Dollars	
bid 8¼	offer 8⅜	bid 8½	offer 8⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

	Sept. 16	Sept. 9
[illegible]	[illegible]	[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

	Sept. 16	change
[illegible]	[illegible]	[illegible]

MONEY RATES

NEW YORK (4pm)

		Treasury Bills and Bonds	
Prime rate	10	One month	
Broker loan rate	9⅞-⅞	Two month	
Fed funds	8⅛-⅞	Three month	
Fed. funds at intervention	-	Six month	
		One year	
		Two year	8.43

Sept. 16	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.80-4.90	4.75-4.90	4.80-4.95	4.85-5.00	5.15-5.30	5.00
Paris	7⅛-7⅜	7¼-7⅜	7⅜-7⅝	7⅞-8⅛	8⅛-8⅜	6.75
Zurich	1⅝-1⅞	3-3¼	-	3⅛-3⅜	-	-
Amsterdam	5.37-5.50	5.46-5.56	-	5.50-5.60	-	-
Tokyo	3.78125	4.40625	-	4.21875	-	-
Milan	10½-10⅞	11⅛-11⅜	-	11⅛-11⅜	-	-
Brussels	6.35	7¼-7½	-	7⅜-7½	-	-
Dublin	7¼-7⅜	7⅜-7⅝	7½-7⅝	7¾-8	8¼-8⅜	-

LONDON MONEY RATES

Sept. 16	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11½	11½	11⅞	12⅛	12½	12⅝
Interbank Bid	7	10½	11¾	12	12⅜	12½
Sterling CDs	-	-	11⅞	12	12¼	12
Local Authority Deps	11	10¾	11⅞	12⅛	12¼	12⅛
Local Authority Bonds	-	-	11⅝	12⅛	12½	12½
Discount Mkt Deps.	11⅛	11⅛	11⅞	11⅞	-	-
Company Deposits	-	-	11½	12⅛	12⅜	12⅜
Finance House Deposits	-	-	11⅝	12¼	12⅜	12½
Treasury Bills (Buy)	-	-	11⅜	11⅝	-	-
Bank Bills (Buy)	-	-	11½	11¾	11¾	-
Fine Trade Bills (Buy)	-	-	12⅛	12⅛	12⅛	-
Dollar CDs	-	-	8.15-8.10	8.25-8.20	8.55-8.50	8.70-8.65
SDR Linked Dep Offer	-	-	7⅛	7⅜	7⅝	8⅛
SDR Linked Dep Bid	-	-	7¼	7⅛	7¼	7⅞
ECU Linked Dep Offer	-	-	7⅞	7⅞	7⅞	7⅞
ECU Linked Dep Bid	-	-	7⅝	7⅝	7¾	7¾

Treasury Bills (sell): one-month 11⅛ per cent; three months 11⅛ per cent; Bank Bills (sell): one-month 11⅜ per cent; three months 11⅞ per cent; Treasury Bills; Average tender rate of discount 11.6348 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day Aug. 31, 1988. Agreed rates for period September 26, 1988 to October 25, 1988, Scheme I: 12.27 p.c., Schemes II & III: 12.72 p.c. Reference rate for period July 30, 1988 to August 31, 1988, Scheme IV&V: 11.364 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from September 1, 1988: Bank Deposit Rates for sums at seven days notice 3.75 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 7 per cent from July 5, 1988. Deposits withdrawn for cash 5 per cent.

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
1.600	7.65	7.65	7.75	8.04	-	0.18	0.70	1.47
1.625	5.15	5.31	5.66	6.12	-	0.36	1.24	2.13
1.650	2.65	3.30	3.91	4.54	0.01	0.94	2.08	3.02
1.675	0.25	1.87	2.53	3.24	-	2.05	3.14	4.28
1.700	-	0.90	1.64	2.24	2.00	3.40	4.57	5.79
1.725	-	0.37	0.96	1.55	4.46	5.35	6.37	7.52
1.750	-	0.10	0.50	1.00	6.96	7.57	8.40	9.33

Previous day's open int: Calls 668,625 Puts 562,565
Previous day's volume: Calls 13,238 Puts 14,207

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls-settlements Sep	Oct	Nov	Dec	Puts-settlements Sep	Oct	Nov	Dec
1.650	3.05	3.90	4.55	5.20	0.30	1.45	2.50	3.60
1.700	0.60	1.45	2.15	2.55	2.80	3.90	5.05	6.25
1.750	0.30	0.55	1.00	1.55	7.30	7.95	8.85	9.85
1.800	0.30	0.40	0.60	0.90	12.30	12.70	13.30	14.10
1.850	0.30	0.35	0.45	0.60	17.30	17.65	18.10	18.65
1.900	0.30			0.50	11.70			22.50
1.950	0.40			0.45	11.40			17.60

Estimated volume total, Calls N/A Puts N/A
Previous day's open int: Calls 387 Puts 210

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE FT-SE INDEX FUTURES OPTIONS; LIFFE £/$ OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE SHORT STERLING; LONDON (LIFFE); CHICAGO; CURRENCY FUTURES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Close	High	Low	Prev.
Sep	0.6317	0.6327	0.6308	0.6319
Dec	0.6397	0.6407	0.6386	0.6396
Mar	0.6467	0.6480	0.6460	0.6465
Jun	0.6549	0.6549	0.6541	0.6546

STANDARD & POORS 500 INDEX
$500 times index

	Close	High	Low	Prev.
Sep	271.65	273.00	269.45	267.80
Dec	274.05	275.30	272.00	270.15
Mar	276.05	276.90	274.00	272.60
Jun	-	-	-	274.40

BASE LENDING RATES

	%		%		%
ABN Bank	12	City Merchants Bank	12	NatWestminster	12
Adam & Company	12	Clydesdale Bank	12	Northern Bank Ltd	12
AAB - Allied Arab Bk	12	Comm. Bk. N. East	12	Norwich Gen. Trust	12
Allied Irish Bank	12	Co-operative Bank	*12	PRIVATbanken Limited	12
● Henry Ansbacher	12	Coutts & Co	12	Provincial Bank PLC	13
ANZ Banking Group	12	Cyprus Popular Bk	12	R. Raphael & Sons	12
Associates Cap Corp	12	Dunbar Bank PLC	12	Roxburghe G'rantee	11½
Authority Bank	12	Duncan Lawrie	12	Royal Bk of Scotland	12
● B & C Merchant Bank	12	Equatorial Bank plc	12	Royal Trust Bank	12
Banco de Bilbao	12	Exeter Trust Ltd	12½	● Smith & Williamson Secs.	12
Bank Hapoalim	12	Financial & Gen. Bank	12	Standard Chartered	12
Bank Leumi (UK)	12	First National Bank Plc	13	TSB	12
Bank Credit & Comm	12	● Robert Fleming & Co.	12	UDT Mortgage Exp	§12.75
Bank of Cyprus	12	Robert Fraser & Ptnrs.	12½	United Bk of Kuwait	12
Bank of Ireland	12	Girobank	12	United Mizrahi Bank	12
Bank of India	12	● Guinness Mahon	12	Unity Trust Bank Plc	12
Bank of Scotland	12	HFC Bank plc	12	Western Trust	12
Banque Belge Ltd	12	● Hambros Bank	12	Westpac Bank Corp.	12
Barclays Bank	12	Heritable & Gen Inv Bnk.	12	Whiteaway Laidlaw	12½
Benchmark Bank PLC	12	● Hill Samuel	§12	Yorkshire Bank	12
Berliner Bank AG	12	C. Hoare & Co.	12		
Brit. Bk of Mid East	12	Hongkong & Shangh.	12		
● Brown Shipley	12	● Leopold Joseph & Sons	12		
Business Mtge Tst	12½	Lloyds Bank	12		
Cl. Bank Nederland	12	McDonnell Douglas Bak	12.5		
Central Capital	12	Meghraj Bank Ltd	12		
● Charterhouse Bank	12	Midland Bank	12		
Citibank NA	12	Mount Bokg Corp.	12		
		Nat. Bk. of Kuwait	12		

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 4.38% Savewise 7.16%. Top Tier-£10,000 + instant access 9.0% & Mortgage base rate. § Demand deposit 7%. Mortgage 11.375% - 11.75%

LONDON RECENT ISSUES

EQUITIES; FIXED INTEREST STOCKS; RIGHTS OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EUROPEAN OPTIONS EXCHANGE

Series		Vol	Last	Vol	Last	Vol	Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS : 31,194

A=Ask B=Bid C=Call P=Put

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping	FRIDAY SEPTEMBER 16 1988 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	THURSDAY SEPTEMBER 15 1988 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1988 High	1988 Low	Year ago (approx)
Australia (85)	142.15	-0.6	125.78	118.56	3.97	143.07	126.26	119.23	152.31	91.16	180.26
Austria (16)	86.84	+0.1	76.85	84.70	2.47	86.72	76.53	84.43	98.18	83.72	100.26
Belgium (63)	116.61	+0.8	103.19	114.60	4.40	115.74	102.14	113.60	139.89	99.14	127.98
Canada (126)	118.11	+0.2	104.51	104.64	3.25	117.91	104.06	104.47	128.91	107.06	135.04
Denmark (39)	124.69	+0.2	110.33	122.14	2.44	124.49	109.86	122.03	132.72	111.42	118.24
Finland (26)	116.21	+0.2	102.83	108.29	1.59	115.99	102.36	108.08	139.53	106.78	-
France (128)	94.37	+0.1	83.50	94.41	3.43	94.26	83.18	94.22	99.62	72.77	115.76
West Germany (100)	77.86	+0.1	68.90	75.94	2.44	77.77	68.63	75.79	80.79	67.78	101.89
Hong Kong (46)	99.99	-0.7	88.48	100.25	4.86	100.65	88.82	100.92	111.86	84.90	145.81
Ireland (18)	127.55	-0.7	112.87	125.55	3.79	128.46	113.36	126.35	144.25	104.60	143.50
Italy (100)	69.89	-1.0	61.84	73.02	2.76	70.57	62.28	73.63	81.74	62.99	88.75
Japan (456)	160.27	-0.2	141.82	136.01	0.54	160.60	141.73	135.63	177.27	133.61	142.53
Malaysia (36)	138.50	-0.4	122.55	141.94	2.75	138.99	122.65	142.33	154.17	107.83	171.01
Mexico (13)	153.18	+0.4	135.54	382.35	1.42	152.53	134.61	380.74	180.07	90.07	375.03
Netherland (38)	102.79	-0.9	90.96	99.34	4.81	103.73	91.54	100.04	110.66	95.23	124.19
New Zealand (20)	71.43	-1.0	63.20	62.25	6.13	72.16	63.68	62.43	84.05	64.42	138.87
Norway (25)	111.60	+1.7	98.75	104.78	2.86	109.73	96.84	103.29	132.23	98.55	184.40
Singapore (26)	121.89	-0.5	107.86	114.78	2.39	122.51	108.11	115.45	135.89	97.99	164.13
South Africa (60)	101.18	-2.9	89.53	87.59	4.90	104.15	91.92	87.57	139.07	101.18	182.45
Spain (43)	136.85	+0.2	121.10	129.75	3.48	136.63	120.58	129.75	164.47	130.73	165.14
Sweden (35)	115.00	-0.5	101.76	110.36	2.59	115.53	101.95	110.74	125.50	96.92	129.27
Switzerland (55)	75.09	-0.4	66.45	73.72	2.32	75.41	66.55	73.87	86.75	74.13	108.78
United Kingdom (322)	123.21	-0.4	109.02	109.02	4.74	123.69	109.16	109.16	141.18	120.66	158.01
USA (580)	110.55	+0.9	97.82	110.55	3.61	109.60	96.72	109.60	112.47	99.19	128.68
Europe (1008)	101.75	-0.3	90.03	95.44	3.86	102.01	90.02	95.52	110.82	97.01	128.88
Pacific Basin (669)	157.15	-0.2	139.06	133.87	0.75	157.52	139.01	133.56	172.26	130.81	144.08
Euro-Pacific (1677)	135.00	-0.2	119.46	118.55	1.70	135.32	119.42	118.39	147.53	120.36	138.05
North America (706)	110.94	+0.8	98.17	110.21	3.59	110.03	97.10	109.30	113.29	99.78	129.02
Europe Ex. UK (686)	88.29	-0.2	78.13	87.14	3.14	88.42	78.03	87.19	92.99	80.27	110.78
Pacific Ex. Japan (213)	119.62	-0.7	105.85	107.04	4.24	120.41	106.26	107.66	128.27	87.51	163.32
World Ex. US (1876)	134.09	-0.2	118.65	117.88	1.77	134.43	118.63	117.73	146.49	120.26	138.58
World Ex. UK (2134)	125.09	+0.2	110.69	115.98	2.15	124.88	110.21	115.49	131.77	111.77	132.43
World Ex. So. Af. (2396)	125.06	+0.1	110.66	115.50	2.37	124.89	110.21	115.07	132.39	113.26	134.39
World Ex. Japan (2000)	107.97	+0.4	95.54	104.84	3.72	107.59	94.95	104.37	112.43	100.00	130.99
The World Index (2456)	124.91	+0.1	110.53	115.31	2.38	124.76	110.10	114.88	132.38	113.37	134.70

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

CONSTITUENT CHANGES : deletions ; AFP Inv. (Australia) and Peachey Prop. (U.K). Name change ; Brit. Columbia Forest to Fletcher Challenge (Canada).
Amendments to indices for Sept.15 applied to the following: South Africa, the Regional Indices and The World Index.

طبق الأصل

WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices September 16

MONTREAL
Closing prices September 16

2400	BombrdrA	$11⅝	11½	11½	− ⅛
31515	BombrdrB	$11⅝	11½	11⅝	
8100	CB Pak	$19¼	18⅞	19¼	+ ¼
9700	Cascades	500	495	495	− 5
16647	ConBath	$15	14¾	14¾	− ¼
26573	DomTxtA	$15¾	15½	15¾	+ ¼
6794	MntTrst	$16⅝	16½	16½	− ⅛
45341	NatBk Cda	$11¾	11½	11½	− ¼
2500	Noverco	$11⅝	11½	11⅝	+ ⅛
129380	Power Corp	$12⅝	12½	12⅝	
79750	Provigo	$11	10⅞	11	+ ¼
171966	Royal Bank	$34¾	34½	34½	− ¼
12225	SteinbrgA	$32	31½	32	+ ⅛
3992	Videotron	$12	11⅞	11⅞	− ⅛

Total Sales 4,228,695 shares.

OVER-THE-COUNTER

Nasdaq national market, 2pm prices September 16

Continued from page 39

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

INDICES

NEW YORK DOW JONES

	Sep 16	Sep 15	Sep 14	Sep 13	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2098.15	2092.28	2100.64	2083.04	2158.61 (5/7)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.15	88.98	88.87	88.88	91.25 (3/3)	86.12 (4/1)	–	–
Transport	876.94	870.37	875.30	871.57	908.45 (5/7)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	180.24	179.05	179.82	178.76	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2113.26 (2112.55) Low 2077.70 (2084.28)

STANDARD AND POOR'S	Sep 16	Sep 15	Sep 14	Sep 13	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite ‡	270.65	268.13	269.31	267.43	275.66 (22/6)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials (latest)	310.85	307.94	309.39	306.95	318.54 (22/6)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	26.05	25.70	25.80	25.74	26.05 (16/9)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	152.79	151.60	152.13	151.15	158.35 (22/6)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	298.22	297.70	298.35	296.79	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	383.91	382.70	383.86	382.38	394.77 (18/7)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Sep 12	Aug 19	Aug 12	year ago (approx.)
Dow Industrial Div. Yield	3.71	3.79	3.73	2.63
	Sep 14	Sep 7	Aug 24	year ago (approx.)
S & P Industrial div. yield	3.19	3.24	3.30	2.40
S & P P/E ratio	13.00	12.80	13.57	23.20

TRADING ACTIVITY † Volume

Millions	Sep 16	Sep 15	Sep 14
New York	211.110	161.210	177.220
Amex	8.840	7.784	10.525
OTC	(u)	113.725	3131.05

NEW YORK	Sep 16	Sep 15	Sep 14
Issues Traded	1,942	1,926	1,950
Rises	898	643	969
Falls	527	749	493
Unchanged	517	534	488
New Highs	24	29	16
New Lows	15	11	13

CANADA

TORONTO	Sep 16	Sep 15	Sep 14	Sep 13	1988 High	1988 Low
Metals & Minerals	2754.0	2747.2	2753.0	2718.7	3226.5 (5/7)	2238.7 (8/2)
Composite	3261.8	3261.5	3276.5	3264.3	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1638.45	1632.87	1641.55	1631.32	1723.71 (5/7)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
USF & G	14.013m	30¾	—	Zayre	3,522,700	25	—
JP Morgan	4,385,300	38⅝	+ ⅛	AT&T	3,227,100	25⅞	+ ⅛
Phillips Pet	4,265,800	19⅞	+ ⅝	General Electric	3,136,800	43¼	+ ⅜
Exxon	3,693,100	45¾	+ ⅜	Ford Motor	2,710,100	50⅝	− 1⅛
Kroger	3,559,100	51	+ ¼	IBM	2,349,900	114¼	+ ½

Base values of all indices are 100 except NYSE All Common – 50, Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

	Sept 16	Sept 15	Sept 14	Sept 13	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1559.9	1567.9	1549.5	1530.6	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	719.8	729.2	718.5	711.1	847.8 (9/8)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	201.4	200.6	200.3	200.0	201.4 (16/9)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	5102.9	5068.3	5035.6	5007.8	5102.9 (16/9)	3608.35 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	221.86	221.26	220.56	220.18	227.86 (3/8)	180.68 (4/1)
FINLAND						
Unitas General (1975)	711.9	714.4	711.6	711.8	772.1 (8/8)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	364.5	365.4	359.2	354.0	368.5 (8/7)	251.3 (29/1)
Ind. Tendance (31/12/87)	139.3	138.4	138.9	136.1	139.3 (16/9)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	507.29	506.08	504.64	499.59	507.29 (16/9)	396.40 (29/1)
Commerzbank (1/12/53)	1542.6	1539.4	1536.2	1520.3	1542.6 (16/9)	1207.9 (29/1)
DAX (30/12/87)	1235.05	1228.11	1224.71	1206.72	1235.05 (16/9)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2458.82	2474.08	2481.57	2473.50	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	519.05	522.77	519.73	518.20	545.07 (18/3)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	27866.38	(c)	27805.67	27794.16	28423.38 (5/8)	21217.04 (4/1)
Tokyo SE (Topix) (4/1/68)	2150.82	(c)	2146.73	2147.38	2253.10 (2/8)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	269.7	270.2	268.2	267.3	284.8 (9/8)	205.7 (4/1)
ANP-CBS Industrial (1970)	225.1	226.1	225.0	224.3	239.3 (9/8)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	386.77	371.66	371.25	368.49	423.64 (21/7)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1064.93	1070.02	1067.52	1062.90	1177.87 (8/8)	833.60 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1215.0♣	1220.0	1212.0	1220.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1669.0♣	1672.0	1650.0	1666.0	1758.0 (20/7)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	277.86	278.20	276.18	275.11	301.63 (15/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	3019.20	3022.10	3023.70	3029.40	3112.90 (5/8)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	551.7	552.7	549.1	546.0	559.0 (9/8)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	440.1	439.7	440.5	465.2 (15/6)	401.0 (21/1)

**Saturday Sept. 17: Japan Nikkei (c) and TSE (c).
♣ Subject to official recalculation

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

4pm prices September 16

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
27⅞	14	AAR s	.36	1.4	19	86	26⅛	25⅞	26	–⅛
10⅛	9¾	AGM n				286	9¾	9⅝	9¾	
12⅛	8¾	ACMIn n1.28a		11.		338	11⅛	11	11	
12⅛	10⅝	ACMSc n1.28		11.		396	11	10⅞	11	+⅛
10¼	8⅞	ACMSp n.25e		2.8		342	9⅛	9	9	–⅛
28⅞	10½	AGS			21	648	28⅝	28½	28½	–⅛
7⅝	2⅝	AMCA				11	3⅞	3¾	3⅞	+⅛
8	3¼	AM Intl				978	5¾	5½	5¾	+¼
28⅝	17	AM Int pf	2	9.2		17	21¾	21⅝	21¾	
59	25¾	AMR			8	2702	45⅞	45½	45⅞	+⅜
24⅛	19	ANR pf	2.12	8.9		6	23⅞	23⅞	23⅞	+⅛
10½	5¼	ARX			11	68	7⅛	6⅞	7	–⅛
70½	35¼	ASA	3	8.3		947	37	36	36	–1¼
22⅜	9½	AVX	.06e	.3	12	436	19	18¾	18⅞	
63½	40	AbtLab	1.20	2.5	16	4576	48¾	48¼	48¾	+⅜
27¼	15⅛	AbitiPr g	1			65	16⅞	16¾	16¾	
16½	8½	AcmeC	.40	4.3		133	9⅜	9¼	9¼	–⅛
20	14⅛	AdaEx	3.05e	20.		144	15½	15⅜	15⅜	–⅛
19⅛	6⅞	AdamMl	.24	1.5	16	29	16⅜	16¼	16⅜	–⅛
24⅞	7½	AMD				3760	11¾	11¼	11¾	+½
56¾	29¼	AMD pf	3	8.6		22	35½	35½	35½	
9¼	4⅜	Adobe				434	7⅞	7⅝	7⅝	–⅛
19⅛	16¼	Adob pf	1.84	11.		5	17½	17⅜	17½	+⅛
12¼	5⅞	Advest	.12	1.4	16	91	8⅝	8½	8½	–⅛
61¼	39½	AetnLf	2.76	5.4	8	5614	51⅞	50⅝	51½	+⅞
36¼	20½	AflPb s	.20	.7		793	28⅞	28⅜	28⅝	+⅛
[illegible]										

Continued on Page 39

NYSE COMPOSITE PRICES

Continued from previous Page

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Closing prices September 16

OVER-THE-COUNTER

Nasdaq national market, 2pm prices September 16

Continued on Page 37

The Business Column

All the difference in the world

Are the differences between Japanese and US companies shrinking as the two sides learn more about each other? The Japanese Ministry for International Trade and Industry thinks so. But the evidence it offers is not as convincing as the ministry might like.

Miti concluded in a recent survey that many of the differences between Japanese and US companies had shrunk since it last carried out a study 10 years ago.

Japanese companies which had previously cited "higher turnover" as their most important objective now shared with US groups a goal of "higher profit". They also now placed less emphasis on the pursuit of economies of scale than they did and took more account of a wider range of strategies – such as the correct pricing of new products.

There are two difficulties with these conclusions. The first is that the answers the survey has produced are exactly those which best suit Miti. It is desperately anxious to reassure trading partners that Japanese companies are playing the game by the same rules as everyone else.

The second difficulty is that the report itself describes many important ways in which Japanese and US companies continue to differ. These points are presented as qualifications to the main theme. In fact, they are better regarded as contradictions.

Chief among them is the well-established view that Japanese companies operate on a much longer time frame than American rivals. So even though profit maximisation is now cited as a shared goal, this does not mean that projects are assessed in the same way.

Sharp divergence in planning horizons

American corporations will generally decide against new lines of business unless they see a profit within three years, Miti says, whereas Japanese corporations will make a move if they expect a profit over the medium or long term. It does not say, but Japanese companies take this to mean five, seven or even 10 years.

Underlying this difference in planning horizon is the continuing contrast between Japanese and American company attitudes to the interests of investors. For US companies "increase in stock value" is a high priority. So high, comments Miti, that American companies "find it very difficult to sacrifice short-term profits for long-term profits." Japanese companies, meanwhile, are concerned with long-term growth.

The reason for this contrast, says Miti, is that the shareholders of Japanese companies include affiliates, customers, suppliers and banks, whereas the major shareholders of American companies are rate-of-return conscious institutional investors.

The report does not examine what might happen if Japanese investors became more rate-of-return conscious. But the question is not purely academic because pressures is slowly increasing on Japanese investors to review the way they manage their portfolios.

Financial deregulation is opening up competition between different kinds of investing institutions, which were previously kept apart. Performance measurement of investment portfolios is gradually gaining ground, not least because of the efforts of foreign investment advisers to win Japanese clients.

However, only some 30 per cent of equity in Japanese companies is currently freely traded. The rest is locked up in friendly long-term holdings. So it might take years before changes among investors start to affect company behaviour.

Moreover, as the Miti report *points out*, Japanese managers' willingness to think long-term is not just a reflection of the attitude of their shareholders – the priority placed on preserving jobs is a second powerful incentive. In *a revealing* example, Japanese companies were asked to name the biggest problem in establishing overseas manufacturing bases. They replied: "maintaining domestic employment."

Such an answer is a million miles away from what a US or European company might say. Pace Miti, that is all the difference in the world.

Stefan Wagstyl

THE MONDAY INTERVIEW

Riding on all the horses

Alan Cane talks to Bill Gates of Microsoft, the world's largest independent software company

Bill Gates, at 32 years of age the world's youngest dollar billionaire and the most influential figure in the microcomputer industry, was in characteristically expansive form.

"What should business people understand about the software industry?" he mused. "They should understand that it is a volatile business. Software companies come and go but there are a few that stick around."

Microsoft, the company of which he is co-founder and chairman, is the star of that élite group. With sales last year in excess of \$580m, the 13-year old company is now the world's largest independent microcomputer software maker.

Microsoft alone of the major players seems immune to the technological traumas and tidal waves of fashion which periodically reshape the personal computer landscape.

Its seeming invulnerability is closely tied to the personality of William H. Gates III – "Trey" to his close family. He combines technical virtuosity, a sharp nose for significant trends in microcomputer software and an ability to persuade other companies in the business that he is their closest friend and ally.

A large part of Mr Gates' success lies in his ability to do his best work for all the big rivals simultaneously. "Ask IBM who its most important partner is," he boasts. "Ask Apple; ask AT&T." The consequence is that no matter which battle happens to be raging in the industry at any time, Gates and Microsoft cannot lose; they *back all the horses in the race.*

Look, for example, at the current controversy over operating systems for IBM-style personal computers. An operating system is a complex piece of software which controls the inner workings of the computer, determining what kind of software can run on it and how efficiently it performs.

Microsoft developed an operating system called MS/DOS for IBM's first generation personal computer. Both the computer and the operating system have since become the world standards. Last year, IBM launched a new generation of personal computers featuring a new operating system, OS/2. Again, it was written by Microsoft, this time with IBM's assistance. There is fierce argument in the industry over whether OS/2 should become the new world-wide standard. To Microsoft, it simply does not matter. *Having written both, it wins* either way.

The microcomputer software industry is bizarre by any conventional standards, a collection of companies founded and driven by technologically gifted entrepreneurs which rise to fame on the basis of a single, often brilliantly conceived program, and which fade just as quickly when they cannot repeat their success.

Microsoft is an exception. It has a remarkable diversity of products including programming languages, operating systems and applications programs (which carries out a task for the customer like word processing or accounts management).

Mr Gates' claim to have founded the personal computer industry in the US predates those of better known figures like Steve Jobs, of Apple fame, by several years.

By his own account, he and Paul Allen, his co-founder in Microsoft, were the first to buy a microprocessor from the inventors, the semiconductor manufacturer Intel, and set about programming it. "Intel themselves did not understand the importance of the advance they had made in building the microprocessor," he claims. "Paul Allen and I wrote to Intel *to tell them what* an unbelievable device they had created. That was in 1974. Steve Jobs had nothing to do with the creation of the personal computer industry."

Since then, has the personal *computer business developed* according to expectations? "Because of our central role, things have developed the way we expected them to," Mr Gates says. "That is because we have been involved in every aspect *of the business*. When Intel these days wants to know what to design into a chip, who is it going to ask? All it is really trying to do is run software well. And who has really analysed what software needs in chip design in order to run fast? When IBM wanted to design a personal computer, it came to us. Being involved in operating systems software gives you a central role, but if you combine that with our key characteristic of taking a long-term view, and our desire to see that all the pieces fit together, then we have a unique role."

Microsoft's chief strength seems to be its development skills, its ability to take a product concept and make the most of it. It does not, however, seem to be a company that has produced many original product ideas.

Asked about Microsoft's main contribution to personal computing, Mr Gates points to MS/DOS. "That is our greatest contribution. Before we did MS/DOS, everybody made incompatible hardware and you could not move the application software around. With MS/DOS we created a situation where hundreds of manufacturers could make machines and the software was interchangeable. It created an explosion."

True enough. But it hardly does justice to IBM's marketing skills in promoting the personal computer as a business tool – or indeed to Microsoft's great rival in the early days, Digital Research, which demonstrated software compatibility for an earlier generation of machines with an operating system called CP/M.

Technologically, Mr Gates claims that Microsoft's chief contribution has been its pioneering work on the graphical interface that will be featured soon on all personal computers. It will involve communicating with the computer through pictures and windows which open up on the screen, rather than by typing in written commands.

But the pioneering work on graphical interfaces was in fact *carried out at* Xerox's *Palo* Alto research centre over 20 years ago. Nevertheless, Microsoft's "Windows" graphical interface seems certain to set the world standard.

In all the major applications areas, Microsoft seems to have triumphed by building high quality second generation products rather than through innovation. The early leader in word processing, for example, was MicroPro with a program called WordStar. In file management it was, and still is, Ashton Tate with DBase. In spreadsheets, perhaps the most important business use of microcomputers next to word processing, Visicalc had initial success before Lotus Development Corporation took a commanding lead with the all-time best seller "1-2-3".

And just for the record, Microsoft did not originate MS/DOS; faced with a request from IBM for a personal computer operating system, Gates bought a program called *QDOS* (Quick and Dirty Operating System) from a Seattle software house, cleaned it up and found himself with a product which, in various versions, now runs on some 20m computers world wide.

For all his shrewdness and business acumen, Mr Gates seems to ignore that there was a well developed, mature mainframe software business before the age of the microprocessor. For him, the world seems to have started with the first Intel microprocessor chip. "Before we did MS/DOS," he says, "there really was not much of a software industry. There were guys doing mainframe packages and a few personal computer packages."

He seems unaware of the commercial aspects of big machine software: "The way software works," he says, "is that people get excited about it. They tell their friends. That is the way it works. If somebody is confused about which version of a product to buy, they should ask a friend who really likes personal computers what to buy. Everybody should have a friend who really likes personal computers."

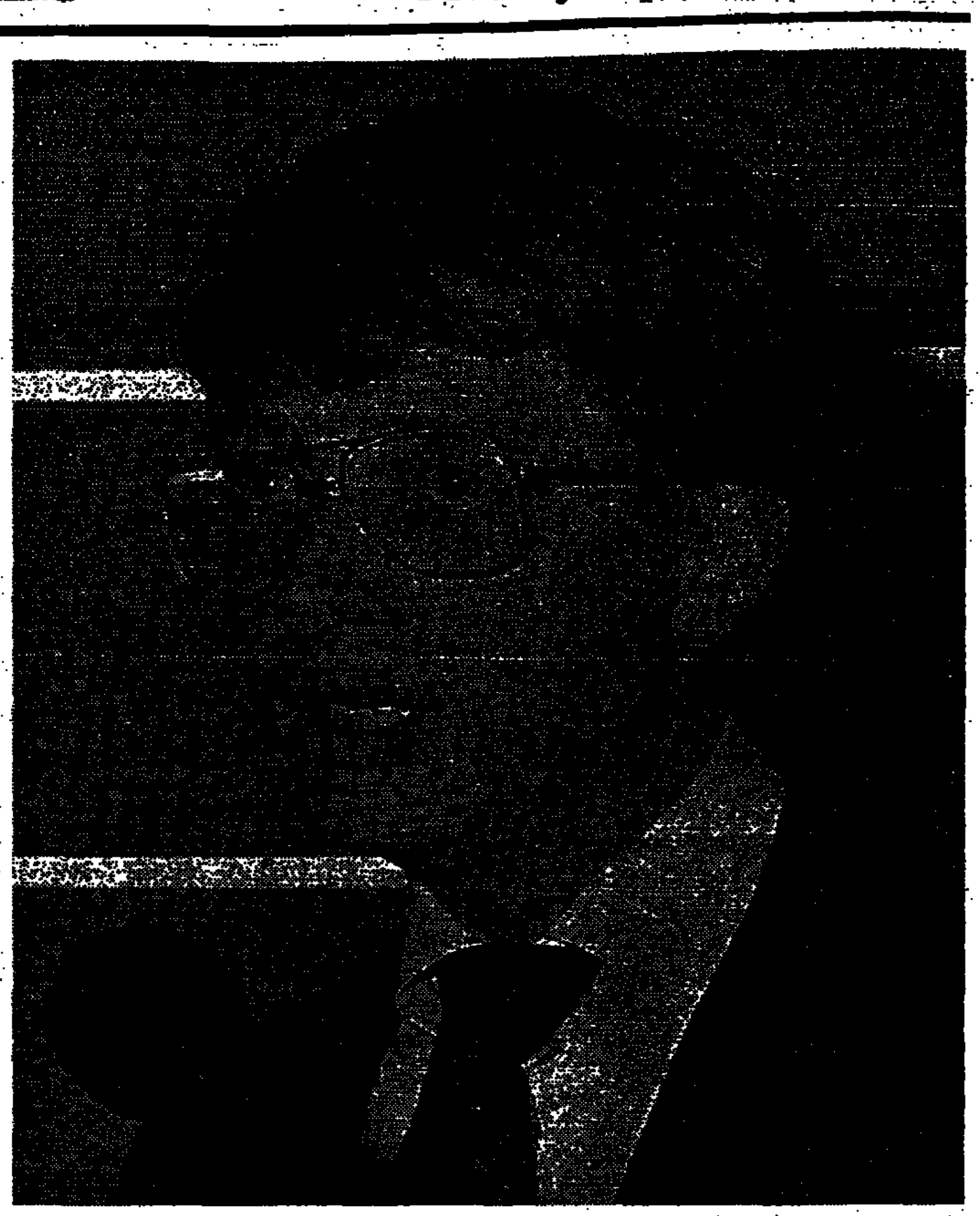
Mr Gates has had his failures from time to time. An operating system, MSX, which the company developed for first generation computers, sold well only in Japan. His ideas for "softer software" – software which would learn as it was used – have been in the laboratory for four years now and a commercial product is still an indefinite number of years off.

He is predicting, however, exciting developments within two or three years in compact discs used as computer memories. The idea is to use the huge storage capacity of a compact disc to provide massive libraries of information available to the computer user at the press of a button.

He even envisages a compact disc that would compete with the familiar accessibility of newspapers. "It will take improvements in compact disc technology as well as improvements in audio and video. But in two or three years I will be able to do a demonstration for you and you will say 'Wow! You were right'".

PERSONAL FILE

1956 Born Seattle
1970 Began writing computer *programs*
1974 Developed first version of Basic for microprocessors
1975 Dropped out of Harvard to found Microsoft
1980 Developed MS/DOS for the IBM PersonalComputer
1986 *Microsoft went public;* Gates's 45 per cent holding valued at \$350m
1987 IBM launched new generation of PCs using new Microsoft system, OS/2



'Ask IBM who its most important partner is. Ask Apple. Ask AT&T.'

Abuse of immunity

Diplomatic immunity found its expression in Britain last week in *two separate instances.* Two officials from the Cuban embassy, one of them the ambassador, were peremptorily extruded from this country by order of the Foreign Office for an incident involving the use of a firearm in public. And a Tunisian diplomat who has refused to pay £700-worth of parking fines was told to leave the country. Both instances reveal the application of a branch of law that often puzzles the public.

Foreign diplomatic agents – ambassadors, high commissioners, chargés d'affaires and ministers – who are accredited to the Crown as representatives of their sovereigns are *exempt from the jurisdiction* of English courts. It is an immunity from legal process and not from legal liability.

The privilege has a long history; the Diplomatic Privileges Act of 1708 itself was declaratory of the common law of England. The law is now to be found in a statute of 1964 which gave effect to the Vienna Convention on diplomatic relations of 1961. The privilege extends to the family *of the diplomatic agent, if living* with him, and to his staff.

Persons entitled to immunities fall into three main categories: diplomatic agents (who enjoy a very large measure of immunity from the legal process); *members of the administrative* and technical staff (whose immunity does not extend to civil proceedings in respect of acts outside the scope of their duties); and members of the service staff (who are immune neither from criminal nor civil process in respect of acts outside the scope of their duties). The premises of the embassy or high commission are inviolate, as are the diplomatic archives and documents at any time and wherever they may be.

The privilege of the diplomatic agent does not attach to him in his own right. It attaches to him in his capacity as the representative of his *sovereign. But the basis of the* privilege is not merely to accord recognition to the dignity of the foreign sovereign. The abstention from inquiry is maintained under international law in order that, by the comity of nations, other states will do unto us what we do unto them. In other words, the immunity given in this country to ambassadors and their staff is maintained in order to protect our diplomatic missions abroad. Reciprocity is the name of the game.

Since the immunity belongs to the foreign sovereign and his representative, it can be waived in any instance with the consent of the sovereign. In the case of the third secretary of the Cuban embassy who was questioned by police officers but later released, it appears that no waiver was forthcoming and would not have been given had the police and the Crown Prosecution Service decided to prosecute, hence the disengagement by the law enforcement agents in favour of action by the Foreign Office.

Whether the Cuban ambassador was ever asked to consider a waiver for his member of staff in respect of a prosecution for possessing a firearm in public is not clear. The marching orders given by Mr Tim Eggar, the Minister at the Foreign Office, to the Cuban ambassador indicate an intransigent attitude on the latter's part to requests to deal with the unacceptable behaviour of a member of his staff.

Less serious conduct by embassy staff is much more easily accommodated. According to official statistics diplomats in London are frequent recipients of parking tickets. In 1984 about 100,000 parking fines were unpaid by diplomats. *Since then*, the Government has published a league table of non-paying embassies, in the hope that shame in appearing high in the table of non-payers would produce greater compliance with the parking laws. The Tunisian diplomat is the first to be expelled for the non-payment of parking fines.

Diplomatic flouting of the parking laws is a persistent irritant on a fairly large scale but it is clearly tolerable. The presence of armouries in embassies, however, for potential use outside the mission, is not. When the Libyan embassy shooting occurred a few years ago there were proposals to effect some surveillance of the imports of firearms. Article 27 (3) of the Vienna Convention is unambiguous in declaring that "the *diplomatic bag shall* not be opened or detained," and any courier, who must carry an official document identifying his status, enjoys personal inviolability. Since the diplomatic bag can contain only diplomatic documents or articles intended for official use it could be seized but only if it was known that it contained something other than the diplomatic document or article. Putting the bag through electronic devices has been regarded as an impermissible "detention" of the diplomatic bag. At present there seems to be no concerted move among the international community to amend the Vienna Convention *to permit countries to subject* the diplomatic bag to any form of inspection, even if it involved no physical intervention by customs officers.

* * *

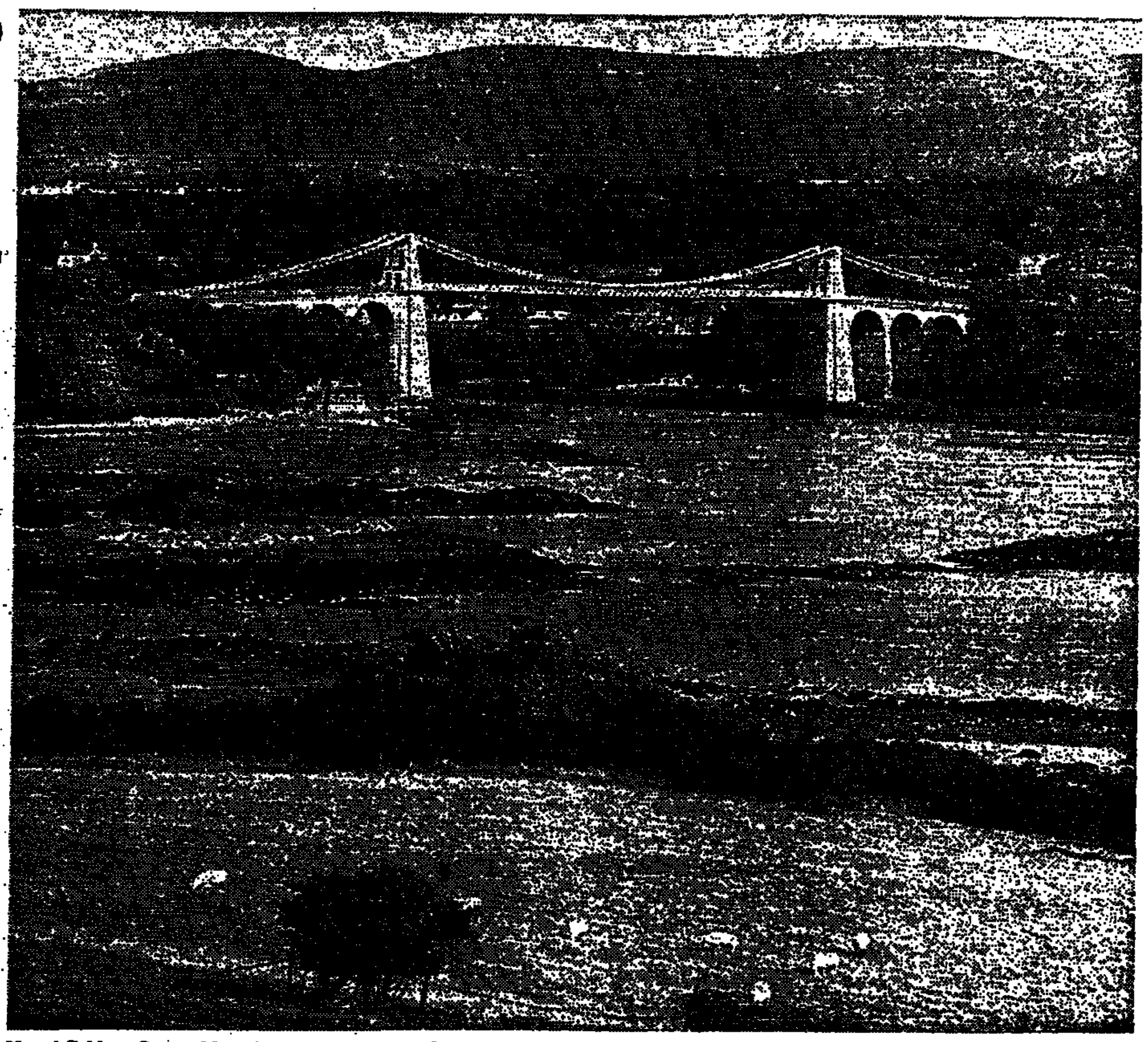
Justinian was taken to task last week for the article on the Sharpeville Six and the South African courts (FT, September 12). While not dissenting from the criticism that the article had not castigated the South African judges for having displayed judicial inactivism in putting any restraint on the application of apartheid laws, it should be pointed out that the article was intended simply to explain and not to exonerate the judges. The explanation was that the judiciary under the South African constitution was given little room for curbing the legislative and executive arms of government. Given those severe limitations, it is nevertheless right to fault South African *judges for not* having given public expression to the manifest and manifold injustices perpetrated by the legal system of apartheid, if only as an appendage to the enforcement of such unjust laws in individual cases.

JUSTINIAN

SECTION III

FINANCIAL TIMES SURVEY

Wales' drive to diversify its economy is moving ahead. Confidence is high. New technology and key service industries are putting down roots. But, behind current euphoria, there is still room for improvement, reports **Anthony Moreton**, the author of this survey



Menai Bridge, Gwynedd, with the mountains of Snowdonia in the background

WALES

CONTENTS

A revival in the making

A HIGHLY-EBULLIENT Peter Walker, the Secretary of State for Wales, could hardly contain his delight when he announced this month the arrival in Cardiff of N M Rothschild.

Earlier this year the Welsh Secretary had thrown his weight behind an initiative called South East Wales, launched by the Welsh Development Agency and the local authorites, to develop this part of Wales as a leading financial centre.

This was the first tangible success to report and it was a success of the highest order. Rothschild might be said to have put the blue in blue chip. The merchant bank handles the very best clients and to choose Cardiff for an outstation, where it is to offer a full range of services, indicated its confidence in the growth of the Welsh economy.

The Cardiff office is only the second to be established by Rothschild in the UK outside London. It has for years had one in Manchester, where its arrival had much to do with the fact that Nathan Rothschild, who founded the bank, had close links with that city and the Lancashire cotton trade.

Rothschild is the second major financial institution to move into South Wales this year. TSB chose Newport for one of its fast-growing divisions expected to employ some 2,000 people in the next few years.

In employment terms, Rothschild new office does not begin to compare with that figure. But it will bring to Cardiff what Mr Walker's colleagues in the Conservative party like to call "bottom", that indefinable something that adds weight and prestige to anything with which it is associated.

When Mr Walker was translated from the Energy Department to Wales after the 1987 general election, he probably little imagined he was moving to a department with such a rising profile.

But he quickly saw his opportunity. Benefitting from the work put in by his predecessor, now Lord Crickhowell, Mr Walker has so energetically backed projects that even Labour politicians like the redoubtable Mrs Mattie Collins, leader of the Rhondda council, can be heard singing his praises.

The Welsh economy has been undergoing dramatic change during the 1980s. A country weaned on coal, steel, engineering and docks has had to come to terms with their eclipse as mainstays of the industrial economy and enthusiastically embrace newer technological industries.

Mr Walker loses no opportunity to outline a litany of achievement:-

- the lowest unemployment figures, at 10.7 per cent, since 1981
- a flow of new company arrivals such as Nice-Pak on Deeside, Osicom Technologies in Cardiff, both from the US, or expansions such as Rehau in Amlwch, Crown Corrugated in Merthyr, Setten and Durward in Rhayader and Firsteel Metal Products at Aberdare.
- a high flow of inward investment.

Mr Walker could have expanded on his theme and pointed to the air of prosperity in the centre of Cardiff which has become one of the most important shopping centres in Britain, a mecca for visiting parties from as far as 100 miles away; or to the £200m-plus redevelopment of the centre of Newport and the £1.5bn scheme to be undertaken in Cardiff's decaying docklands; or to north east Wales where an enthusiastic Mervyn Phillips, chief executive of Clwyd County Council, points to the lowest unemployment for almost a decade and a £160m redevelopment of part of the former steelworks site under the aegis of Tarmac.

Euphoria over the performance of the Welsh economy is not universally shared. There are other voices pointing out that much of the improvement is only recent and that if a longer view of the economy is taken, then Wales is in some respects not much further advanced than in 1979.

Professor Ken George of University College, Swansea, for instance, says that Wales is only now making good the stagnation that occurred in the first half of the 1980s and that the improvement in the numbers out of work has not been reflected by any increase in the numbers actually in work.

But, undeterred, Mr Ian Kelsall, director of the CBI in Wales, says that in his 22 years in Cardiff he has never seen such prosperity.

"For most of that time Wales has not been a particularly happy place. The steel industry has shed 54,000 jobs since 1971 and coal has been decimated, with just 7,000 men left in an industry that once employed 270,000.

"But all of a sudden we have success on our hands and it is a different place to be. There is a completely different atmosphere. People now believe they can do things and firms are growing rather than looking to protect their rear.

"Years ago, it was said that Welshmen did not make good entrepreneurs. This is no longer true. It has now become acceptable to set up on your own account."

The official figures bear him out. One person in seven is now self-employed in Wales, according to the Training Commission, compared with one in nine in Britain as a whole. The only other part of the country to have such a high proportion is the South West of England.

Evidence of the new Wales can be picked from almost any tree. Steelmaking at the large integrated works in Port Talbot and Llanwern, Newport, is operating at 100 per cent of manned capacity, and the private sector through two companies, ASW and Brymbo, is doing well. Last year Wales became the most favoured location in Britain for overseas investors, with 302 investments recorded by the Invest in Britain Bureau, a fifth of those coming to the UK.

Planning applications for major developments in commerce, housing and industry in the final quarter of last year increased to a peak of over 73 a month. The average for the year was 65 a month.

Investors in Industry – 3i, the venture-capital group – invested more than £19.5m during the 12 months to last March, half as much again as in the previous 12 months. "Last year we completed 35 investments, a rise of a third," says Mr Charles Richardson, 3i director in Cardiff. "The local economy is in excellent shape and the professional community has never been so busy."

Clear evidence that a new Wales is emerging is perhaps best personified by the research centre opened this year by AB Electronics in Newport which will co-ordinate all the R&D for the company's world-wide operations. The Welsh Development Agency is putting more into specialised buildings geared particularly towards companies wanting high-technology facilities. "This is the only sensible path to take if we want Wales to compete with the best," says Mr David Waterstone, the agency's chief executive.

Not all industrial news has been good. Last July, Rover closed its pressings plant in Llanelli with the loss of 900 jobs. A creamery in Dyfed went and a big job loss at a Lucas plant in the Swansea valley was only averted at the last moment by deft footwork.

According to Professor Ken George of the department of economics at University College, Swansea, much of the improvement has been achieved in the last three or four years: over the longer period – since the recession began – Wales has made little or no headway.

Wales is certainly progressing, but not as fast as the UK as a whole, he states. Growth rates have been low and, by the end of last year, manufacturing output was only just above its level in 1979.

Even between 1984 and 1986, the last year for which figures are available, Gross Domestic Product, did not rise as fast in Wales as in the UK as a whole. GDP per head was 87.1 per cent of the UK figure in 1984 and 85.7 per cent in 1986.

"The picture for the first half of the 1980s was of a stagnant economy. In 1985 the index of Welsh industrial production and construction was nearly 3 per cent below its 1980 level and some 15 per cent below its 1979 level.

"Despite the growth in services real GDP was only 3.7 per cent higher in 1984 than in 1980, an annual growth of less than 1 per cent."

Professor George says that "the revival in the economy is reflected in a reversal of the upward trend in the rate of unemployment but the improvement on the unemployment front has not been accompanied by an increase in the number of people actually in work."

Employment in Wales fell sharply between 1979 and 1984, with a loss of 127,000 jobs. By 1987, despite a small increase in self-employment, a further 19,000 jobs were lost. This trend, says Professor George, "shows no sign of reversing."

Even the unemployment fig-

continued on back page

As British Steel prepares for privatisation

Welsh steel industry recovers its strength

PETER ALLEN plays it cool. Steel is performing "extremely well" he says. It is an understatement though, with privatisation looming fast on the horizon, he might be excused for taking a cautious line.

The fact is that steel in Wales is booming. Port Talbot, one of the two main integrated mills in the country – and one of the five in Britain – is working at 100 per cent of its manned capacity, producing some 2.3m tonnes of raw steel a year from a capacity of around 3m tonnes.

Llanwern, in Newport, the other integrated Welsh plant, is also working to 100 per cent of manned capacity and producing about the same total tonnage. The tinplate works at Trostre and Velindre outside Swansea are working flat out and, in north Wales, Shotton works, the largest strip steel coatings plant in Europe, is also booming.

This is all a very long way from 1980 when the industry was losing millions of pounds a week, forcing British Steel to introduce a drastic retrenchment programme which resulted in 25,000 redundancies at Welsh steel plants in the space of a single year.

At the start of this decade British Steel was employing nearly 50,000 men. That figure is now down to around 18,000. But the industry has probably never been healthier in modern times.

The workforce at Shotton, where around 8,000 went overnight, is now down to 2,200. But as at Port Talbot and Llanwern, productivity has increased. Capacity in 1979 was touching 1.5m tonnes, and after the end of iron and steel-making, processing of strip steel in the coatings complex which remained was down to 10,000 tonnes a week. New capital investment and higher productivity have doubled that figure to 20,000 tonnes.

More important, the industry has gone "downstream", producing a higher-quality steel with greater added value, so contributing to the much healthier position British Steel finds itself in as, on September 5, it changed into a public limited company in advance of the public flotation.

Mr Allen naturally feels gratified at this change. He has seen it through the bad times and into the good. He is managing director of British Steel's strip mill products division. In effect, this is largely British Steel's Welsh operations since, outside Wales, there is only the large integrated works at Ravenscraig in Scotland with some 3,000 employees and one or two other small plants.

Peter Allen, managing director, British Steel strip mill products division

Mr Allen sits behind a sparsely-covered desk in a plain office in the Llanwern works. "British Steel now has a very competitive position in the market place," he says. "We have maintained our competitive levels with the Europeans and we are directing investment towards the products with more added-value."

British Steel, in Wales as in the UK, still lags some way behind the Far Eastern producers where output per man is higher, sometimes considerably so. But Mr Allen contends that these plain comparisons are increasingly meaningless.

As the industry strives for greater profitability the old measurements go by the board. Taking the downstream path, adding value, means more employment to get out the same tonnage. The industry is now producing more sophisticated grades of electrical steel, for instance, out of the Orb works in Newport. It is producing more sophisticated tinplate. And it is producting coated sheet for the motor and building industries in particular.

This is where Shotton is so important. Some £30m has been invested in new techniques and up-to-date machinery on a galvanising line at the North Wales works. In addition, £32m has been spent on a electro-zinc line, both geared to the motor industry, and a new colour-coating line is in the process of being put in.

Hotpoint, in Llandudno, is an example of the way British Steel is co-operating with the domestic-appliance industry. Hotpoint has no painting facility and so it is taking printed sheet from Tafarnaubach in South Wales to its own specifications.

Trostre is another example of new investment to upgrade the product. A continuous annealing line costing £50m has been installed to produce better tinplate.

With strong order books, both home and overseas, the one worry at the moment is the sterling exchange rate. Mr Allen professes not to be unduly concerned, believing that "there is an acceptable balance at the moment between the pound and the D-mark and the dollar." He would like rates somewhat lower but takes comfort from the weight of dollar-denominated purchases and D-mark-donominated sales working in British Steel's favour.

The strength of the industry in Wales is likely to be underpinned when the industry goes private because British Steel will then be able to take a purely commercial approach to the question of the fifth integrated mill. This is something Mr Allen will make no comment upon, referring any questions to what Sir Robert Scholey, British Steel's chairman, and Mr Kenneth Clarke, the then Industry Minister said.

Mr Clarke gave a commitment last December for steel making to continue at all five plants for "a number of years." In particular, he said steel making would continue at Ravenscraig for at least seven years, "subject to market conditions," and that the strip mill there would continue to operate at least until the end of next year.

This was a political commitment. If there is any change in demand, in particular if demand drops, then it would, on commercial grounds, make more sense to absorb Ravenscraig's steel making into Llanwern and Port Talbot. An easier case could be made out for integrating the strip mills in this way because there is serious overcapacity throughout Europe in this sector.

One recent report from the Institute of Fiscal Studies has suggested that, over the next decade, investment and capacity in Wales could be increased substantially to make the two South Wales integrated works the largest in Britain and among the largest in Europe. Any such moves would almost certainly involve the closure of Ravenscraig.

A commercial management, as British Steel will shortly become, would not be bound by political constraints beyond those carefully phrased. But for political reasons everyone in British Steel plays a dead bat on these issues just at the moment.

Not that the matter is relevant just now. The three works in the division are producing at capacity as presently manned and Wales could not absorb the Scottish steel output in the short term.

But if the market changes, then a very different strategy could be needed and one in which Wales would undoubtedly benefit. After the traumas of the early 1980s the country is gratified that the early 1990s could bring great benefits from its most important manufacturing industry.

Profile: ASW

Restorer of City faith

THE VIEW from Alan Cox's window takes in the wastelands on which GKN's East Moors plant in Cardiff once stood. Beyond stands the Tremorfa works of his company ASW, the private steelmaker, one of only two in Wales (Brymbo being the other), which came to the market last May.

Mr Cox likes the view. It reminds him of how much progress ASW has made since it became the first of the steel companies, then called Allied Steel and Wire, set up in 1981 as part of the Phoenix programme of joint ventures between the state-owned British Steel Corporation and the private sector.

"At East Moors it took over 4,000 people to produce 600,000 tonnes of billets a year," he says. "We produce a third as much again from 340 men".

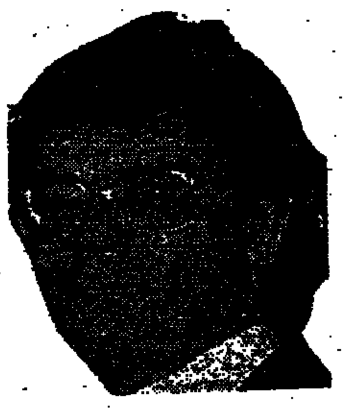
Technological change, making assets work, has turned round ASW from the point where it was losing £2m a month, when it came into existence, to today when it is making about £2m a month.

Mr Cox has other reasons to admire the view. The wastelands are now part of the £1bn Cardiff Bay development that will transform the shoddy-looking docklands into a city for the 21st century. Mr Cox sits on the board of the Development Corporation. What happens to his view in the future is as interesting to him as the comparisons he draws from it today.

"We shortened the name because we did not want the word "steel" in it" – is not just a steel success story. It has been seen as a talisman for the privatisation of British Steel.

This year ASW achieved another first, the first steel company to come to the market for decades. The City was nervous. It had little experience of steel companies since renationalisation in 1964 and feared that an issue might fall flat on its face.

To overcome these fears Allied Steel and Wire was brought to the market in a two-stage operation. The first stage, completed last year, consisted of the joint shareholders, BSC and GKN, selling their holdings to a new company, ASW, with the finance being provided by three venture-capital institutions – Investors in Industry (3i), Charterhouse and Mercury Asset Management, a subsidiary of ASW's merchant bank, S.G.Warburg.



Steel first: ASW's Alan Cox

These three took 80 per cent of the capital and BSC the remainder, although the management also contributed £700,000. GKN opted out.

The three institutions then gently massaged the City to convince them of the worth of ASW. Mr Cox admits there were difficulties but he was more than pleased with the result even if the placing at 150p a share – now 20 per cent higher – rated the company as a yield stock. "I want to see us re-rated on a growth basis," he says.

Some 70 per cent of the shares were placed with a wide spread of institutions, none holding more than 3 per cent of the equity, and 10 per cent was allocated to the employees. BSC kept the remainder.

The successful flotation – "I think the market is now gaining confidence in basic businesses," Mr Cox says – could have an important consequence for British Steel, making it easier for the state giant to be accepted.

ASW could not have come to the market at a much more difficult time. The European Commission, confronted by overcapacity, had just ended all steel quotas and there were fears of a price war and loss of market share.

The doubters had not, however, taken into account the immense effort at increasing productivity initiated by Mr Cox and his management team over the past seven years. The company sent over 200 employees at a cost of some £3m to the best operations in Europe, the US and Japan; especially Japan.

There were technological agreements with Kobe Steel and Kyoei Steel. Today, there are still two Japanese working with ASW in Cardiff and Mr Cox is off to Japan next month to see these companies.

Investment was stepped up – more than £35m has been spent – and productivity improved. ASW, Mr Cox concedes, is still not as efficient as the best Japanese concerns but the gap has narrowed and he claims it is continuing to narrow.

Half of ASW's output goes to the construction industry and the boom in the economy is being reflected in the company's results. That boom is now sucking in imports which account for between 8 and 30 per cent of the UK market according to the sector. This could turn into a threat to ASW's position if sterling remains strong.

Mr Cox is not too concerned with the level of sterling because he detects rising prices among his European competitors. He also sees the EEC not only tightening the rules on hidden subsidies but also acting against them more stringently. With a fifth of sales coming from exports he is clearly in a strong position.

But the worries over Britain's rising balance of payments deficit have exposed fears about the solidity of the boom. Any check to its upward progress, or even slowing of the rate of growth, would hit construction early and domino onto ASW.

Mr Cox's retort is that "the main thing is an ability to deliver a good product with excellent service. With that at your back sales can meet the competition. There are a lot of projects around and we are not over-dependent on any one."

He is careful, though, not to be carried away by the growth in the market. ASW has to improve its existing business, grow in Europe and consider how it might extend its own frontiers. "Any acquisitions will be bolt-on additions, extending what the company is already doing in the steel industry. We would not go into something new in the UK," he says.

Mr Peter Walker has made a surprise economic appointment

The new doctor at the WDA

DR GWYN JONES could be forgiven for thinking that fate deals some people a couple of very nice trump cards. He had been invited, with his wife, to a lunch in Swansea at which Mr Peter Walker intended to meet young, up-and-coming businessmen. The Jones were seated opposite the Secretary of State and at the end of a pleasant but seemingly innocuous meal the two returned to their farmhouse in Reynoldston towards the far end of Gower peninsula.

The following morning Dr Jones received a call asking him to meet the Secretary of State in his Gwydr House office overlooking Whitehall. It was then, last April, that Dr Jones was offered the chairmanship of the Welsh Development Agency. For the rest of Wales it was very much a question of Dr Who?

The 39-year-old Gwyn Jones has made a million — several in fact — in the computer services industry but he was completely unknown on the industrial and political front. He was, however, a man in the Walker mould. Self-made, a success, wealthy. And young.

When the Secretary of State was asked subsequently if Dr Jones was not rather young at 39 for the job, a key one in the economic and commercial regeneration of Wales, he replied that he himself had been in the Cabinet for a couple of years by the time he was that age.

The search for a new man to head the agency had been going on since last September when the present incumbent, Mr John Williams, announced — through an interview in the Wales survey of the Financial Times — that enough was enough. Mr Williams thought five or six years as chairman was sufficient and he would bow out when a successor had been *found*.

That article set the usual Whitehall apparatus into action. Those whose duty it was to compile lists of the Welsh Great and the Good cranked into action. Prominent Welshmen running multinational companies were evaluated and names put forward.

Mr Walker, though, had other ideas. He had announced on taking office in June 1987 that he would seek young men and women to fill the jobs that lay in his hands. The appointment of Dr Jones to perhaps the biggest and most important economic post the Welsh Office has in its suzerainty is an acknowledgement that Mr Walker is playing a very close role in these matters.

The choice of Dr Jones was not as capricious as may have seemed at first sight, though. People do not get to sit next to Mr Walker by accident. Dr Jones had been recommended through the Conservative party, where he was known for his ability in creating a software company trading as LG Software but owned by Corporate Technology. He had been evaluated by Mr Walker well before the meeting and was well within the Minister's sights long before they sat down to eat.

Gwyn Jones was born and brought up in Porthmadog, a small seaside town North Wales. His parents, both Welsh-speaking, as he is, originally kept The Australia public house but when he was about eight moved to a shop.

Dr Gwyn Jones, chairman designate of the WDA

"They both worked hard in it," he says, "and I used to help them a lot. It is from them that I got any sense of drive and hard work that I may have."

The experience in the shop was turned to good effect one summer when he was 15 and employed selling ice-cream in the nearby Butlin's holiday camp. The young Gwyn discovered you could make more profit concentrating on selling the fast-moving lines to the exclusion of the others. The businessman in him was on the move.

From grammar school at Porthmadog he went to Manchester University, taking a First in Computer Sciences, and then he moved on to Essex for a doctorate.

Manchester had been typical student days. "I had a good time, I worked hard, but I gave nothing back." Essex was different. Gwyn Jones arrived at the height of the student revolution that concentrated much of its fire on that particular campus. "Essex was a great place to be but the trouble itself was terrible. It was largely fuelled by people coming in to disrupt things."

He professes not to have taken any part in the politics of the time but he quickly became president of the sports federation and acknowledges that he did get involved in the politics of sport.

His experience of Essex is very important to him because it fashioned much of his later thinking, perhaps even his attitudes, towards politics. He found that by organisational skill and a certain amount of politicing he could get what he wanted rather than what others wanted.

"When I arrived Essex had the lowest income per head for sports of any university. By the time I left it was the highest. By bringing this about I realised, for the first time, I had the organisational and political skills to succeed."

Those skills were soon to be put to use on his own account. Five years with British Steel and ICL led him and three friends to set up Business Micro Systems, the original name of LG Software, in 1980, though he did not actually join the concern until 1981. There were differences of opinion over which way the company should go and a year later two of the partners left.

The first thought behind Business Micro Systems was to sell software packages to small businesses, "but I could quickly see this was the kiss of death. I had been attracted because of my small-business background but it soon became clear that there was little scope.

"Our breakthrough was in finding a new target, local government. There was no software being developed specifically for local authority use and yet this was a growing market. We provided it." Very soon the renamed company was providing software to a third of the 450 councils in Britain.

By 1986, Gwyn Jones and his partner realised that the company, which was then on the USM, needed to expand but they also felt they had gone as far as they wanted to with it. So they approached Lazards which set up a structured sale in March last year.

The business netted a nice sum - Dr Jones is quite unabashed that it is in millions, though he will not say how many - and time to himself and his family after several years of working around the clock. By the turn of this year, complete leisure was beginning to pall when he received that invitation to lunch with the Welsh Secretary. Suddenly, Dr Jones had a new challenge...

As the South Wales coalfield prepares to lose its area status

Fight for a future goes on

SID MOORE puts a brave face on it. "We want customers to buy from us because our coal is cheaper than they can get elsewhere. We want to be a supplier of choice."

"We" are British Coal and by "customers" Mr Moore, marketing director for the South Wales coalfield, means the Central Electricity Generating Board. He is thinking ahead to the days when a privatised electricity industry is completely free to buy its coal from any source.

The CEGB now buys 3.5m tonnes a year from the British Coal's South Wales area — over half the area's output — and the loss of that contract would be catastrophic. But Mr Moore points out that the five Welsh pits that supply the CEGB are producing below the industry's cost parameter.

The way in which the coal industry in South Wales has managed to overcome the geological problems with which it operates is a success story. Just over a third of output is now being mined by the retreat system by which a tunnel is cut through to the boundary of the seam so that the coal faces can be worked rapidly in the reverse direction.

Under this system, any faults in the geology of the seam - and in South Wales there are few even seams - can be identified in advance and the problems they present minimised. By the end of 1990 some 80 per cent of coal should be produced by this method of working, which is expected to work wonders for profitability, too.

Rising productivity in the deep mines should lead the area into profitability in the second half of this year, Mr Moore says, a distinct improvement over the £72m loss (a figure reduced to £36m for South Wales as a whole after taking into account the profit from open-cast operations) last year.

It is, though, difficult to get over-optimistic about the state of the industry in Wales. At a review meeting with the National Union of Mineworkers three weeks ago Mr Ron Price, the area director, warned that two more pits had questionmarks over them. Notice was served on the Marine, in Gwent, employing 763 men, and the Cynheidre in West Wales employing 662, both of which have run up "severe losses" in recent years, that considerable improvements are needed, and quickly, if they are to survive.

Mr Price believes Marine can pull through but there are more doubts over Cynheidre, which is producing between 3,500 and 4,000 tonnes a week now and needs 5,250 tonnes to pull through. If Cynheidre closes a £30m investment nearby at Carway Fawr could also be hit.

If one of these pits closes there will be just 10 left in South Wales employing about 6,700 men. There is also one pit in the north, Point of Ayr, employing some 600. In 1960, when British Coal moved to its present headquarters in Cardiff, there were 117 pits employing 86,000 men.

Not that the regional office will remain in Cardiff much longer. South Wales loses its area status on January 1 and the remaining pits will be reorganised under group managers from an office in Tredomen. Some 200 of the 350 jobs in Cardiff will disappear.

At Margam, the £90m superpit which could employ up to 800, remains on ice so long as the NUM refuses to agree on flexible working over six days.

To exacerbate matters, the highly-profitable open-cast operation is increasingly running into flak from local groups who simply do not want big holes ripped in the ground alongside them and are taking advantage of the planning regulations to thwart the open-cast executive.

Before the miners' strike in 1984 open-cast accounted for 2.2m tonnes in South Wales. That figure is now down to 1.2m tonnes. Even so, open-cast brought in a profit of £36m last year and is expected to contribute £28m this year.

The situation is even more difficult in North Wales where no open-cast working is taking place since Ley Farm, near Chirk, ended in June. Mr Terry Gill, director of open-cast covering North Wales, wants to produce 250,000 tonnes from two sites. But because of the delays in getting planning applications through, he will not be able to start on another site for at least a year.

"If we could get back to the pre-strike level," Mr Bryan Riddleston, the regional open-cast director for South Wales, says, "we could make a profit of over £50m." Unfortunately for British Coal the difficulties of getting planning applications through mean it is working just seven sites now, one of which will be exhausted early next year, compared with 11 just two years ago.

"In the past 12 months we have started four sites to replace those worked out," he says, "and I believe 1988-9 will see the bottom of the trough." He bases his optimism on a deal done in Merthyr Tydfil at the instigation of the council by which British Coal is to remove old tips and other industrial waste, extract the coal under them and reinstate the land.

There could be 5m tonnes of coal on the Merthyr site but what excites Mr Riddleston is that the initiative came from the council. Other local authorities may be willing to do similar deals, he hopes.

This may be false optimism. Open-cast mining is widely disliked in South Wales and British Coal faces a continuing battle, despite the precedent set by Merthyr, to get the go-ahead for open-cast operations. However, the cavalry, in the shape of the government, may be about to ride to the rescue. Mr Michael Spicer, a junior minister at the energy department, said in July that there would be a shake-up in the planning regulations to make things easier for British Coal to win its planning applications.

Despite this hint it is difficult to escape the conclusion, to extend the metaphor to the whole of the South Wales coalfield, that the Indians are getting closer, and that the circle of wagon trains is drawing in all the time. If Cynheidre closes one more wagon will have gone, leaving just 10.

Dr Roy Brichan, chief executive of Robertson group

Profile: Robertson Group

World eye view from Llandudno

TO FIND a company with a reputation as a world leader on the North Wales coast may not be unique but it is still unusual. To find it in Llandudno, an Edwardian holiday resort, certainly is unique.

That is where the rapidly expanding Robertson Group has its headquarters and half its 1,000 staff. The Robertson Group may not be a household name despite its size but within its industry its name is on the tip of just about everybody's tongue.

Dr Roy Brichan, its chief executive, who joined the then fledgling concern 20 years ago after taking a doctorate at Leeds, describes its work as being a consultancy in the field of natural resources and the environment.

The largest slice of its activity is involved in the oil and gas industry, from which it earns almost 60 per cent of its £31.5m turnover. That turnover comes mainly from overseas, only a third originating in the UK.

Robertson has, for instance, just completed a three-year integrated geological, geophysical and engineering evaluation of all the petroliferous basins in the Sudan.

Earlier it was involved in seeing how rice can be best grown in Bangladesh when, as the television has shown so graphically recently, large areas of the country are flooded every year between July and September. Its task was to find the best sort of rice that could be grown where there was a danger of the leaves being suddenly and unexpectedly submerged.

The Group was set up as Robertson Research in 1961, taking its name from a shipping company that worked from a quarry on the coast near Llandudno. The shippers had called in two scientists to analyse the rocks they were carrying and the business grew and expanded from this point.

At first it concentrated on minerals but it expanded into petroleum to capitalise on the expertise of one of the two founding fathers. Today, the renamed company (renamed after it went public four years ago) operates in five main areas: petroleum, minerals and water, cartography and publishing, laboratory and chemical engineering, and agriculture together with urban and rural development. There is also a separately managed mining finance company.

Petroleum remains the major part of the business but the company decided in 1986 after the oil price crash that it was over-exposed in this activity and set out on a vigorous policy of diversification that involved an £8m rights issue last year to provide the money.

That money was quickly put to use. A number of companies were acquired during the financial year 1987-8, helping push turnover up by a half. Petrocon's petroleum testing and production division was bought as were two mapping companies, Merlin Mapping and McCarta.

Laurence Gould, subsequently named Robertson Gould, was bought as the foundation of the agriculture, urban and rural division and in the present year Cremer and Warner has been added as well as Pincock, Allen + Holt, which is involved in minerals and water in Denver and Sydney.

The Cremer acquisition is a good example of the way in which the Robertson Group now plays an important, if not widely recognised by the general public, role in important events.

Cremer and Warner specialises in the assessment of major hazards and risks in the transport of flammable and toxic materials. It took a prominent part in the analysis of what happened in the Flixborough and Seveso disasters in the 1970s and, just recently, it acted on behalf of the Treasury Solicitor in the investigations into the King's Cross underground disaster.

The move into cartography is another example of the way Robertson is developing within its own core framework. Mapping is of considerable importance in field work and Dr Brichan says that the development of computer techniques in geological map production made major advances last year. Once a map has been digitalised, for example, the information stored in the database can be used to produce a range of cartographic products, including those capable of three-dimensional presentation.

It was therefore thought sensible to diversify this work and three companies were acquired which are planned to lead to a big expansion in cartographic production. Robertson, through the publishing arm, has now moved into county maps, city street plans (primarily for use in the pop-up market) and walking guides. Five county maps have been added to the UK tourist map series and others, such as walking guides in France, produced.

In a country such as the US, it would not be thought unusual for a company such as Robertson to have its international headquarters in a town like Llandudno, if such an equivalent exists there. But Britain is different, and as Robertson expands, especially as it expands in the South-East, there will be pressure for it to have a "presence" in the London area. Robertson is determined to resist this pressure.

North Wales wants to keep the company, too. Regional Britain benefits immeasurably from having head office operations in specific localities. North Wales already has a number of important operations based in the area, such as Iceland Foods and Kwik Save, and Robertson is a distinguished member of that company.

After suffering big job losses in the early 1980s . . .

Clwyd counts its successes

FOUR WEEKS ago the American concern, Nice-Pak, which claims to be the biggest producer of wet-wipe products in the world, decided to build its first European plant, costing £4m and creating 125 jobs, on the Delyn enterprise zone in Clwyd.

Nice-Pak arrived in North Wales as the result of a recommendation from a company that had arrived in the county earlier. Breger Gibson, a manufacturer in the complementary field of disposable nappies, has been in Clwyd for some time and its joint managing director, Mr Adrian Breger, said it was so pleased with its operations "that it was only natural we should recommend Nice-Pak to come in.

The arrival of the wipes company brought to 2,500 the number of jobs on the enterprise zone since it was set up almost 6 years ago. Most of those jobs – 86 per cent – are in manufacturing, unlike many of the enterprise zones which have a strong emphasis on distribution and warehousing.

Further, two out of every jobs created have been full-time ones for men, a big advantage in an area which has seen the numbers at British Steel's nearby Shotton works drop from some 13,000 in the late 1970s to just over 2,000 today.

This part of North Wales is booming. If it had more factories available it could let them immediately. "We are running well behind demand," says the Welsh Development Agency's Ian Gould. "We haven't got a 10,000 sq ft factory or bigger available in the region. Much of our building programme to next March is already spoken for."

Mr Mervyn Phillips, the county's go-ahead chief executive, is equally bullish. "We have been very successful in attracting inward investment and encouraging growth among indigenous companies.

"Ten years ago we lost 22,000 jobs almost overnight with the closures at British Steel, Courtaulds and in the coal industry. But that is all behind us. We have created jobs and now have some of the lowest unemployment in Wales.

The roll call of companies now operating in this part of Wales is impressive. Fifty overseas concerns have arrived in the past eight years. Brother and Sharp spearhead the Japanese infiltration which now totals five companies, Continental Can (which recently unveiled a £7m investment), Kelloggs and Kimberly-Clark, which in March announced a £20m expansion, represent the larger US concerns.

Shotton Paper is the British offshoot of a Finnish concern and earlier this year the West German Vossen, which claims to be the largest towelling producer in Europe, decided on Wrexham for its British base.

Major British concerns are well in evidence. British Aerospace, Pilkington's electro-optical arm and Courtaulds have more recently been joined by Firegreen, Lactochem, Richard Burbridge, Thor Materials and Central Microfilms.

In many respects north east Wales has become as great a success story as the south east part of the country around Cardiff and Mr Phillips puts his finger on one important advantage Clwyd has over the Capital: "We have a much bigger catchment area than either Cardiff or Newport. Within an hour's drive of Wrexham or Mold, there are 4m people. Within that radius there is Manchester airport, the third most important in Britain and a major international gateway."

North east Wales has the added advantage of lying in the shadow of Chester. In other circumstances, this might be considered a disadvantage but since the world-renowned city is now bursting at the seams and incapable of absorbing much more industrial or commercial expansion the natural habitat for any industrialist seeking a base near the city is to look west half a dozen miles into Wales.

Running out of space: WDA's Ian Gould at Newtech technology centre, Deeside Industrial Park

The knowledge that it has ample land for expansion, some big-company names and the backing of the Welsh Development Agency has led to the growth of considerable self-confidence within the county. That self-confidence has, in turn, led it to believe it might even win some of the decentralisation of Whitehall jobs being planned by the government.

"We have not had any major office developments," Mr Phillips admits, "and that is a minus point. But we are working on proposals to rectify it.

The original idea for the Deeside waterfront scheme on part of the former steelworks site at Shotton came from Tarmac which proposed a major leisure, retail, business park and residential development costing £160m. The county, the local authority, the WDA and others backed the scheme enthusiastically.

"It's an exciting proposal," says Mr Phillips. "This is the worst part of the county at the moment. The site has been cleared, because we put it up as a candidate for the Welsh venue for the Garden Festival that was eventually won by Ebbw Vale. But it's got a lot going for it.

The site lies next to the third crossing of the Dee, which is planned for the early 1990s, and will become a new gateway to north Wales. Not only that but it will also create between 3,000 and 4,000 jobs when completed.

Not everyone views the development quite so enthusiastically. Delyn, the next-door authority, fears that the large retail component of the development will adversely affect the character of the small towns along the North Wales coast.

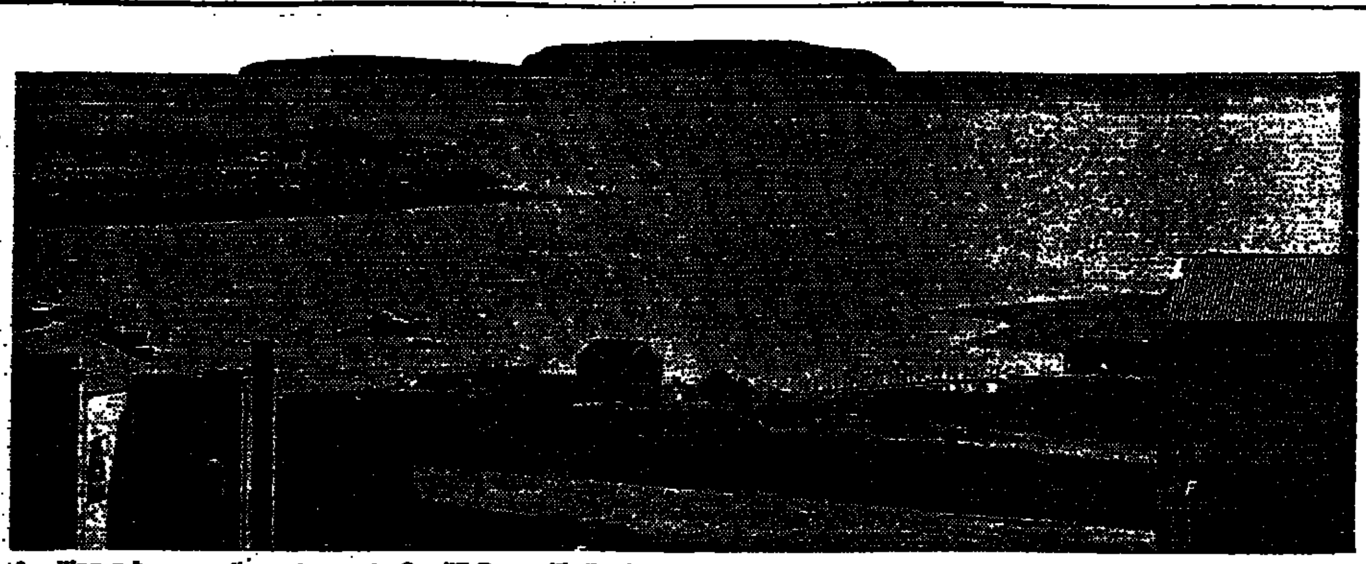
The fears are real. Large shopping developments tend to cream off purchasing power from town centres, especially the small ones. But the growth of out-of-town hypermarkets is inevitable and if the development did not go to Deeside it would almost certainly look for another outlet within range of Chester.

Mr Phillips also points out that research undertaken for the county indicates that Deeside will become a regional shopping centre, competing with Chester and Liverpool, and that great benefits will accrue from the scheme.

Equally as innovative and exciting to Mr Phillips is the development of the Wrexham area as a major centre for the medical-care industry. "We are working closely with the area health authority and the North East Wales Institute in the town to develop a medical technical centre," he says.

This would take advantage of the local hospital and a private hospital and be based on a technology park being developed by the WDA as one of its up-market "select" sites next door to the Wrexham hospital.

Clwyd is first into this field, the only authority in Britain attempting to integrate industry and the medical field in one overall site. It is developments such as these that have put the gloss on Clwyd and enabled it to bring its unemployment level down.



Awaiting a barrage: the entrance to Cardiff Bay, with the islands of Flat Holm and Steep Holm in the background

£1.5bn is being invested to transform the Welsh Capital

Cardiff Bay gets under way

WITHIN THE next few weeks South Glamorgan County Council will have completed the move into its new headquarters in the middle of the giant Cardiff Bay development.

Incoming officials are already jostling for parking space with the last of the site contractors and the spending power that over 1,100 white-collar workers will bring with them will work wonders for a part of the city that has seen much better days.

Smaller tenants such as architects Holder Mathias have been in the Bay for some months and others such as ABP, which owns a large part of the port, and ASW, the leading private-sector steel concern, have been there for countless years.

For the most part, though, Cardiff's docklands have presented an unappetising appearance for several decades. It took an act of imaginative foresight and courage for the county, one of Cardiff Bay's founding fathers, to relocate in such an area.

Cardiff Bay was the first of the second wave of urban development corporations to be set up by the government. Fired by the way in which both London and Merseyside had developed their run-down dockland areas after development corporations were set up in 1981, the government decided to go a step further with similar bodies for, first, Cardiff and then Tyneside, Teesside, the West Midlands and Greater Manchester in England.

The intention to develop Cardiff was announced in November 1986 and criticism has surfaced that the four other newcomers have stolen a march on the Welsh. In the highly competitive world involved in attracting development capital some appear to have made considerable advances. Teesside, for instance, has announced a £40m marina and housing development along its waterfront and a £10m plan for Smiths Dock shipyard.

Mr Geoffrey Inkin, chairman of Cardiff Bay Development Corporation, is aware of the criticism that it is not moving sufficiently quickly but retorts that "you have to get the base right. Without that you might as well not move at all. Land has to be available and it has to be properly serviced before you can interest an international developer."

He points to the way in which a strategy plan has been drawn up — "a mammoth task and extremely well done by the Llewelyn-Davies Planning group" — and to the detailed planning work that has been undertaken. That strategy envisaged a £1.5bn scheme that would turn the docklands over the next 10 years into one of the most exciting waterside developments in Europe.

"We are not just involved in urban regeneration here," he says. "We are creating an internationally recognised city of the highest merit."

The strategy was unveiled at the end of May and envisaged between 5m and 6m sq ft of industrial space, another 2m to 3m of commercial development and the building of some 6,000 houses and flats.

There will also be shops, leisure facilities and an international maritime "city". The next phase, on which work has already started, is to focus on four or five key areas, such as Penarth docks, the area just south of Cardiff Central station, the core area along Bute St (the heart of the old Tiger Bay), the inner harbour (or maritime "city") and East Moors, until 1980 the home of a major steelworks.

He refuses to be rushed into announcements just to catch the public eye but is adamant that the study work being undertaken, which is "both extremely complex and detailed" is essential before development can go ahead.

Work is, however, well advanced by an outside group on proposals for the core area and in-house on the East Moors steel site. The inner harbour, probably the most important part of the whole dockland scheme, will be sent out to tender to an international study team — "but we have to know precisely what to tell them if we are to get the sort of result back that will satisfy us."

Progress within Cardiff Bay is complicated by the fact that much of its success depends on a £50m barrage that will enclose some 500 acres of inland lake. Without a barrage the whole development would become much more difficult and this subject is out of Mr Inkin's hands. The barrage needs a parliamentary bill and there is considerable opposition to it from environmental groups, led by the strong Royal Society for the Protection of Birds.

"The barrage will allow us to turn something adequate and local into something internationally outstanding," Mr Inkin says. "Investors and developers who come here all share that view."

The barrage bill goes back to Parliament in November and on the best assumption it will be a further 12 months before it is enacted.

Little development will take place on the important inner harbour until it becomes clear, probably around the middle of next year, if the bill is to go through its parliamentary paces unscathed.

Cardiff Bay also faces difficult negotiations with ABP, the major landlord in the docks, which not unnaturally would like to develop its own land and take the rise in development values into its books.

The uplift in prime land values is crucial to the success of the whole development of Cardiff Bay and the corporation wants to benefit from as much of this as possible in order to finance further work. Mr Inkin would like to borrow on the land value in order to take as much of the financing of development as possible out of the public sector.

Cardiff Bay DC is about to appoint a merchant bank to advise on the land question and it is particularly anxious not to antagonise those like ABP who sit on attractive parcels and who could hold up the whole scheme.

Cardiff Bay has the power, a power it is anxious to keep in reserve, of wheeling up the big gun of compulsory purchase. This would lengthen the whole process of development by several years given the built-in appeal mechanism and could also frighten off potential developers.

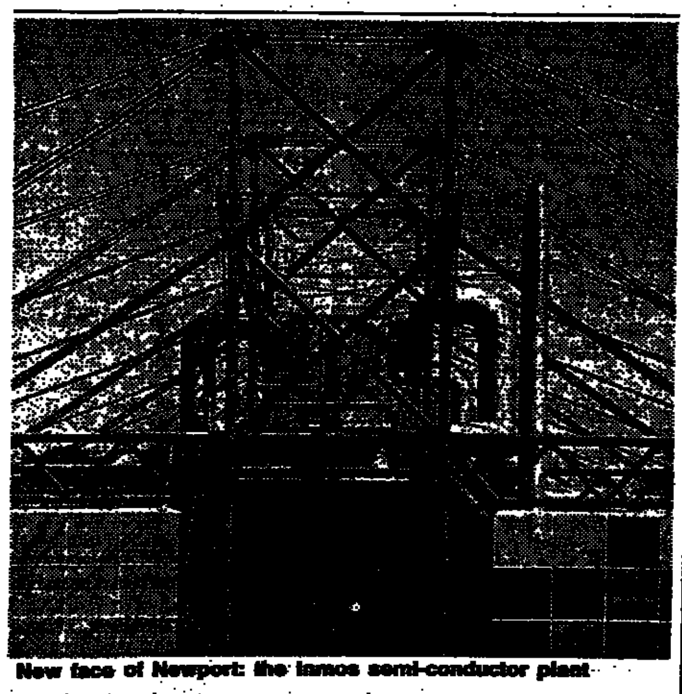
Mr Inkin is therefore anxious to come to a *modus vivendi* with landowners such as ABP in order that each may benefit to the maximum, but he admits negotiations will be "tricky."

Lurking in the background, too, is the awareness that a Commons committee has strongly criticised London for not making sufficient work available for local people. This may not be quite such a problem in Cardiff, given that the scope of development will not be as large as in London, but to defuse any potential complaints.

A skills training group has been set up precisely to provide those skills locally that we shall eventually need and a community liaison officer was appointed early on. All the senior staff have spent long evenings briefing the interested parties, 36 of them.

"We have even brought people together in order that we might consult them," Mr Inkin says. "The CBI and Rotary, the TUC and the local clergy. Cardiff businessmen and the chamber of trade. It has been time consuming, but I believe essential."

The development of Cardiff Bay will be a major success he firmly believes. "We are building something here not only for the future but something that will be internationally recognised. But what we are doing is only part of the wider growth that is taking place in Cardiff itself. The development of Cardiff Bay complements the development of Cardiff into one of the finest cities in Europe. What we are doing has to be seen in that context."



New face of Newport: the Inmos semi-conductor plant

Urban renewal

Swansea and Newport stride out

WHAT HAS happened at Newport and Swansea might be described as a tale of two cities, the one having taken large strides towards regenerating its economic life, the other just about to set out.

There are great similarities between the two. They both have strong steel and other metal industries and both have ports which have seen better times. Each has been the focal point for valley hinterlands.

There, though, the similarities peter out. Swansea is a beautiful city which has capitalised on its attractions to become even more alluring while Newport, though not an ugly sister, has had to fight hard to make the most of its appearance.

Visitors to Swansea cannot but be impressed by its wide bay, stretching from the entrance to the docks for some half a dozen miles to Mumbles Head. A light railway — really a tram rather than a train — that ran between the two has long since gone, as have the rugby internationals at St Helens which the tram passed.

In its place is a green sward affording the best urban walk in Britain as it runs along the fringe of Singleton Park and the University College. The walk also takes in Swansea marina, an example of how to develop a captive dock without destroying the area's natural advantages.

Newport has no such comparable jewel. Although the town straddles the mouth of the Usk, a famous salmon river in its higher reaches, one could be forgiven for thinking that any self-respecting fish that entered this particular river would probably die of mud poisoning before it reached the point where it could fall prey to an angler's rod.

The Usk at Newport is, frankly, an eyesore. Yet despite its almost inherited disadvantages, Newport has imaginative plans for its redevelopment. Swansea has managed to eliminate much of the dereliction caused by its industrial past but Newport is the more likely of the two to take a giant stride into the future.

This is not just a question of its being the first port of call on the way in to South Wales, though this has helped. It is undoubtedly easier to attract companies to south east Wales than it is to induce them to proceed further along the M 4 motorway. But Newport has actively gone out and courted the investment world.

The result is that, suddenly, there is an air of optimism about the town that not even the relegation of its football team out of the fourth division of the Football League can dispel.

Companies are queuing up to find space in the town. The TSB has recently opened a headquarters unit that is expected eventually to expand to employ over 2,000 people. The Patent Office has this month begun its transfer from London. A Dutch concern is thinking of a £100m cold-store development in the docks that could employ 300.

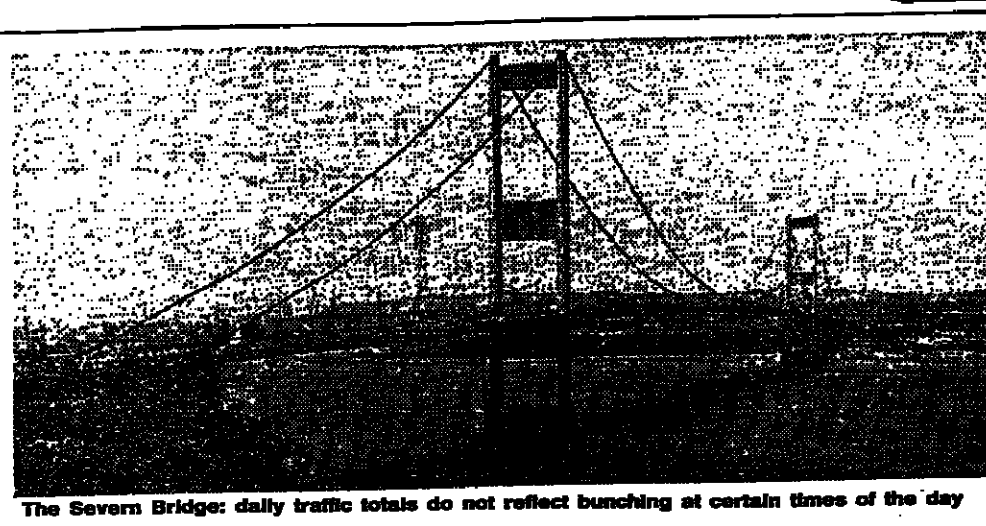
At the heart of Newport's development are two schemes that will transform the town, a £70m plan by Burton Property Trust, offshoot of the Burton shops group, to redevelop the shopping centre and a £40m joint scheme involving the council and put up by Regalian for a barrage across the river.

The Usk as it passes through Newport is little more than an eyesore, as is the Tawe in Swansea. But whereas the Tawe is slightly off-centre in the city the Usk impinges directly on Newport.

The barrage will allow a stable water level in the river and so enable both the water to be cleaned and and both housing and commercial developments to take place alongside.

Swansea has also joined the barrage builders (they are extremely popular in south Wales: both Cardiff and Llanelli also have plans for them). The city has obtained parliamentary approval for its £11m scheme and expects to complete work on it by 1992.

Swansea is also fortunate in that is is the home of Wales's first enterprise zone, an area which has been a considerable success story. The zone is, physically, the largest in Britain and the emphasis is on retailing. More recently a successful office market has emerged with two schemes offering a wide variety of choice.


The Severn Bridge: daily traffic totals do not reflect bunching at certain times of the day

The Severn Bridge

Small print key to a second crossing

ON THE last Friday in March last year hurrican-force winds which tore up trees and blew down buildings caused the Severn Bridge to be closed to traffic for only the second time in its 21-year life. The result was little short of chaotic.

The journey from the outskirts of London to the centre of Cardiff, which can be done comfortably in under three hours along the M 4 motorway in ordinary conditions, took upwards of six hours. There were long queues of cars and lorries approaching the bridge, unable to go forward or back.

The alternative route, along the A 40 and the A 48 after Gloucester, turned into a nightmare procession of frustrated drivers trying to overtake in the wrong spots, traffic hold-ups at the roundabouts on the Oxford by-pass, trees across the road across the Cotswolds and interminable delays in the little towns of Lydney, Newent and Chepstow along the Severn estuary.

The elements had proved in a few hours what Welsh industrialists had been preaching for years - that the Severn Bridge has become an absolutely essential element in the Welsh economy.

The closure pointed up one other factor: the need for a second crossing. Not just as an insurance policy against the likelihood of the conditions of Friday March 27, 1987, repeating themselves but also, and more importantly, to cater for the increasing amount of traffic crossing the present bridge.

"Wales is the only major industrial area where access to the main markets is across an estuary," says Mr Ian Kelsall, Wales Director of the Confederation of British Industry. "The bridge is absolutely crucial to the growth of the economy. A second crossing is essential."

Mr Dudley Fisher, chairman of the Wales CBI, adds that "industry sees the second bridge as building on the strength of the Welsh economy and we are not going to let this project slip from our grasp. Pressure must be kept up until the government's commitment to a second crossing is put beyond doubt.

The case for a second crossing has been growing insistently in Wales for some years. That case has been accepted by the government — but only obliquely and in such a way as to leave industrialists with some fears about its outcome.

The case was accepted in principle two years ago by the then Secretary of State for Wales, Mr Nicholas Edwards (now Lord Crickhowell), subject to the site of the crossing, almost on top of the existing Severn Tunnel rail link some three miles downstream from the present bridge being acceptable.

Unfortunately for Wales, the bridge is the responsibility of the Minister of Transport rather than the Welsh Office and Mr Paul Channon, its Minister, prevaricated.

This July he appeared to put the matter at rest when he announced in the Commons that he would invite bids to build the new bridge. The small print, though, allows a let-out and Welsh industry is not convinced it has what Mr Kelsall describes as a "100 per cent cast-iron guarantee".

Mr Channon has in effect said the second bridge will be built provided the private sector finances the operation "or designs and builds it with the government responsible for funding and operation." And the operator will have to take over the existing bridge, its problems, its financing, at the same time.

If no private operator comes forward the government would only consider building a bridge if projections of growing traffic warrant it. It is this caveat which worries business.

Mr Fisher has said: "When questioned about the project Mr Channon made it clear that, if government money was needed, then the go-ahead would still depend on increases in traffic flow. That is not a strong enough commitment to the future of Wales."

Traffic flows have been rising appreciably in recent years, sufficient to convince most people of the need for another crossing. On the Spring Bank Holiday Monday this year just over 69,000 vehicles, most of them cars, crossed the bridge. Over the whole year the daily average is now 44,500. That figure rose by 9 per cent last year following a 7 per cent rise in 1986, both faster than national forecasts.

The growth in traffic crossing the bridge is, though, not as fast as that on motorways generally, where the increase is now running at 13 per cent a year. Government forecasts of traffic across the bridge indicate a daily average of around 47,000 vehicles if gross national product rises by 2 per cent a year or 53,000 if the rise is 3 per cent.

Motorway growth tends to reflect changes in GNP - and at the moment GNP is rising considerably faster than these rates.

The daily totals do not reflect the bunching that occurs at some times of the day. Between 8am and 9am going east, between 4.30pm and 6pm going west and on Friday evenings and Saturday mornings, in particular, the hourly flows are considerably above average.

When this happens there are long delays. On Fridays the daily average rises to 60,000 vehicles and on Saturdays in August it is over 66,000.

Some of the delays have been eased by the addition of a ninth booth which allows five to cater for the morning peak eastbound and five westbound in the evening. But the Ministry of Transport is unclear what effect the extra booth has had since the bridge is currently restricted for long periods to a single lane in each direction for refurbishment.

A £56m programme to strengthen the structure and resurface the road was started in 1986 and should be completed in 1990. By then the bridge should be capable of carrying a full load — except at peak times. The worry of the engineers, though, is not so much the number of vehicles crossing as their weight - the permissable weight of lorries has increased and there are many more of them using the crossing.

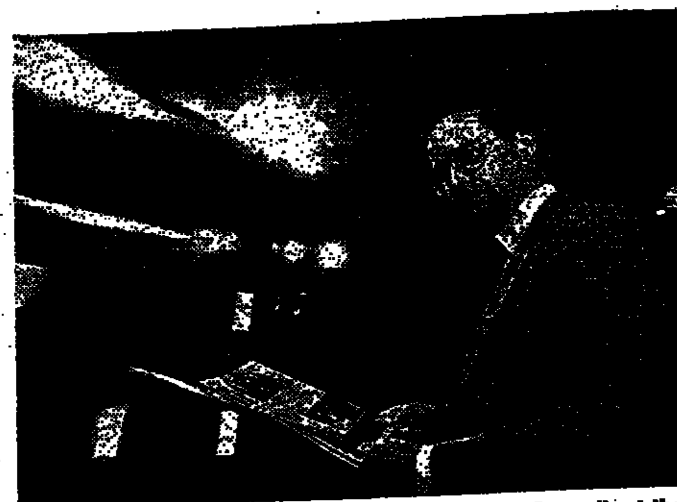
The strengthening cost has pointed up the fairyland nature of the economics of the bridge. It cost £8m to build in the 1960s and it was expected that tolls would amortise the initial investment by 2006. However, government financing rules force the capitalisation of interest charges, to which now has to be added the £56m refurbishment work, so that at the moment, the existing bridge is almost £100m in the red.

It is this deficit that will have to be taken into account by any prospective developer of the second crossing and is causing concern in Wales that it might inhibit a developer from coming forward.

The illogicality of Treasury financing is made worse by the illogicality of the Ministry of Transport's own rules on tolls. It says that all estuarial crossings are subject to tolls. But this is not true of the bridge over the river Goole on the M62 Hull to Liverpool motorway; it is just part of the carriageway and not treated any differently. In North Wales the A 55 dual carriageway will not have toll booths when the road goes through a tunnel under the river Conwy estuary. And only a few miles away from present Severn crossing, the M5 motorway crosses the Avon estuary, again without exacting tolls.

Valleys Initiative

Repairing the fabric of the 'inner city'


Tony Roberts, deputy chief executive, Rhondda Council, at the Parc and Dare: putting inward investment first.

THE PARC and Dare Hall in Treorchy was, many years ago, the centre of most of the social and cultural life at the top end of the Rhondda valley. Founded over a century ago by subscriptions from the miners working in the eponymous colliery, it was in effect their "university", library, social centre, doctor's surgery and theatre.

Some miles to the east, in one of the Gwent valleys, the Workmans Hall and Institute in Blaenavon played a similar role. These two still exist, though many similar institutes have long since succumbed to economic and social neglect following the closure of local pits and, when they have not actually been closed, they have been turned into cinemas and bingo halls.

Today, it is recognised that centres like the Parc and Dare and the Blaenavon Institute ought to be kept in existence and under the Valleys Programme launched by the government in June £700,000 is to be spent on making them shipshape.

From the outside, the Parc and Dare looks like a typical Welsh Victorian building, all stone and coloured glass. Inside, it is now a modern building with an 800-seat theatre that every year draws in about half as many people again as the Sherman Theatre in Cardiff.

The Parc and Dare has received £100,000 towards improving the theatre's cantilever stage and dressing rooms, some structural work and providing new equipment. Next year the Blaengarw Workmen's Hall above Maesteg and the Coliseum Theatre in Trecynon, in Aberdare, will get similar treatment.

The Welsh Office is now looking for other social and cultural centres which have fallen on hard times and are in need of repair to restore them as living centres.

But neither a new stage nor a coat of paint are enough to cure the problems of the industrial valleys of south Wales. Mr Peter Walker, the Welsh Secretary, whose Valleys Initiative to regenerate the area was launched earlier this year, is aware of this.

The valleys have suffered from a serious run-down — complete disappearance in many cases — of their basic industries, coal and steel. There were once 66 pits in the Rhondda alone. Today there is none.

Factories have come in to replace coal and steel, but as Mrs Mattie Collins, leader of Rhondda council, admits: "We shall never get above ground the number of jobs that we once had underground." Even so, a lot can be done, and not just by the government, to improve the old housing, poor roads and outdated infrastructure.

The industrial valleys of South Wales are a large area and have been described as Wales's inner-city problem. They stretch from Llanelli and Ammanford in the west some 50 miles east to Pontypool. On a north-south axis, they start at Caerphilly, just north of Cardiff, and move 17 miles up to the top of Merthyr Tydfil.

Their character had been changing even before Mr Walker launched what he described as "the most comprehensive programme for economic growth the valleys have known."

The Welsh Development Agency has been putting in advance factories at several sites and clearing tips. The first executive housing, by the Barratt group, albeit with the aid of an urban grant, has been built in Clydach Vale, and some of the local authorities, the Rhondda especially, have made positive steps to rebuild their economies.

"We have a conscious policy of putting inward investment first," says Mr Tony Roberts, the borough's energetic deputy chief executive. "We want jobs and we will build the rest around them."

Mr Walker would acknowledge that a lot of the groundwork underpinning his programme had been started by his predecessor Lord Crickhowell. But the programme that emerged last June bore Mr Walker's personal stamp in a number of areas.

The Welsh Secretary set out to reduce the 37,000 unemployment figure by 25,000. "My plans could bring it down to levels existing in the South East of England," he said in the spare surroundings of the Applied Screen Print factory in Tonypandy.

Such hype, even though he carefully used the past indicative tense of the verb, allowed Labour politicians, who dominate this part of south Wales, to accuse the minister of doing little more than package together a mish-mash of bits and pieces, some from within his department, some from outside in the private sector, in order to make the whole thing look good.

There is some truth in this accusation. Whitbread had on the stocks a £14.5m investment programme to upgrade its public houses in the area. Bass had a similar £23m programme. Their research had established that when a run-down pub had been given a face-lift turnover could rise by as much as a half.

Whitbread had been working on plans for the pubs since the end of 1986 but they were included in the valleys programme as "enhanced" spending.

But such criticism, however true, misses the point. Mr Walker has focussed attention on the area, not only encouraging the local authorities to put a renewed impetus behind their own plans but also the outside community to believe that something is now being done on a major scale about the economic and social fabric.

The actual programme itself, whether "new", "enhanced" or just plain old hat, drew heavily on a report produced earlier this year by the fledgling Institute of Welsh Affairs — itself led by Mr Henry Kroch, President of the AB Electronic Products Group — and is a hefty document of some 40 pages.

It included not just economic proposals such as a specific small-loan scheme, a technology development fund, a business centre in Merthyr Tydfil, a craft initiative and a big boost in the WDA factory-building programme in the area, but also urged new links between schools and business, a Wales Tourist Board marketing campaign to attract more visitors, road improvements, more spending on derelict-land clearance to improve the environment, the backing of community projects, and development of health centres, and a variety of assistance for housing.

While some national politicians may have cavilled, the local authorities, Labour to a man, have taken a different view. The Rhondda, a progressive council, has taken a positive view, welcoming the proposals and working out how it can best benefit.

Mid Glamorgan, one of the three counties involved, is to set up a task force to ensure it reaps full benefit from the suggestions. Given the despoilation that nearly two centuries of industrialisation have inflicted on the valleys, it would take a programme devised by the archangel Gabriel to cure all the problems of the area in one go.

Mr Walker is not the archangel and his programme is not omnipotent but it does have the merit of pulling all the strands together, pointing everyone in the same direction and giving the whole thing an enormous push. It is now up to the valleys themselves, as the Rhondda's Mrs Collins points out, to capitalise on this initiative.

Development of Mid Wales has gathered momentum but . . .

House prices threaten jobs

In the middle of last month, at the height of the holiday season, the Hampshire concern, Naerok, which makes drilling, grinding and sawing machines for wood and metal working, chose to announce that it was to move to Brecon, in the foothills of the Beacons.

The move will eventually create 25 jobs in the small market town. It follows the decision of Custom Fasteners, which makes nuts and bolts, to create 10 jobs in Newtown after moving from Redditch.

In the middle of Wales jobs are counted in tens, and none the worse for that, says Dr Iain Skewis, chief executive of Mid Wales Development, the government-funded corporation set up in 1977 to regenerate this part of the country where sheep outnumber the 194,000 humans by about 50 to one.

"I am very optimistic indeed about the future. There has been a big improvement in the economy over the past year and we are more optimistic than we were four months ago.

"What is particularly pleasing is that a lot of the progress is being made by indigenous concerns. Companies like Naerok and Custom Fasteners are important but we let as many of our factories last year to local people as to incomers, the first time this has happened. We believe that before long indigenous growth will outstrip that of outsiders.

There is, however, one very large cloud on the landscape: housing. The provision of housing, or, more accurately, its non-provision, threatens the corporation's ability to maintain its momentum.

Rural depopulation, which threated the fabric of the area a decade ago, especially as farm workers moved off the land, has largely ended. Some 300 farm workers are still thought to give up, or be forced out of, their jobs every year but this is a contentious figure and few people are convinced it is completely accurate.

The decline in the population has been ended, though, not so much by a rising birth rate as by a massive inward movement of people. New companies, bringing some workers (usually executives) and creating other jobs, are welcome. What is not welcome is the flood of people coming to live in the area without working in it.

Dr Skewis calls it "a menace". Mid Wales has cheap houses. It is a soft area for those with high disposable incomes living in the South East of England or the Midlands who want a second home, somewhere to live having cashed in on the capital value of their own houses, or just simply commuting from Wales to wherever they work.

Dr Iain Skewis, chief executive, MWD: house prices have gone through the barrier of reality

These people have help to force up house prices dramatically and practically absorbed the available supply. In the last year prices have, on average, doubled to around £40,000 — cheap by comparison with Kent or Worcestershire, but costly in the low-wage economy of Mid Wales. Prices have "gone over the barrier of reality" in the opinion of Dr Skewis.

This eruption in house prices has coincided with a government policy of deliberately cutting back on public-sector housing. Mid Wales Development has a housing responsibility and Mr Leslie Morgan, its chairman, says: "We are building about 60 in Newtown and have agreements with housing associations. But we have difficulty meeting the needs of companies coming here which want houses for the key workers they bring with them. A supply of housing is essential if we are to continue to attract incomers."

Dr Skewis adds: "Housing is going to be the most difficult problem we face in the coming 12 months."

One sector where he has fewer worries is factory lettings. In the first four months of this year MWD let 47 units representing 140,000sq ft, 44 per cent of its total lettings in 1987-8.

Another bull point is the interest being shown by local people in setting up for themselves. Apart from the high level of factory lettings to local people the number of business inquiries is running at record levels, having reached 553 in the first three months of the year, a rise of 17 per cent on the same period of 1987.

Allocations of grants and loans are on an upward trend, more companies than ever are taking advantage of the small-loans scheme and business is more optimistic about the future than earlier this year.

If this appears to be a picture of boom piled upon boom seeds of caution need to be sown. Large-scale closures come out of the blue. The closure of the Lucas Electrical plant at Ystradgynlais would have led to the loss of 800 jobs had the situation not, through the combined efforts of MWD and the Welsh Development Agency, been turned to the good through a well-backed rescue.

Dairy Crest closed its Felinfach creamery in April at a cost of 130 jobs and while MWD led the way in finding a buyer for the plant, "the outcome was not exactly as we wished," according to Mr Morgan.

There are some problems, too, in the far west of the area, around the coastline of Cardigan Bay. This is where, because of the country roads and the distances from markets, it is most difficult to attract incomers. Companies like Laura Ashley, which has recently undertaken a big investment programme in the area, and Control Techniques have happily expanded alongside the border with England but it has been more difficult to attract concerns further west.

A recurring problem in rural areas, from which Mid Wales is no exception, is labour shortages. Dr Skewis's team have to walk delicately so as not to upset the fine balance of the economies of the small towns they are seeking to regenerate. About a third of the companies operating in the area already face labour constraints and the CBI has warned about the dangers of bottlenecks arising.

These are the penalties of success, though. As Mr Morgan points out: "the pace of economic growth continues to quicken and there is higher than average optimism among businessmen about future prospects. It is a lot more healthy outlook that 11 years ago when MWD was set up.

The arts scene

Riches go on display

SOMETIME IN the middle of next summer the National Museum of Wales will open its Museum of the North, Amgueddfa'r Gogledd, in a bold move to create a major branch in North Wales.

Dr David Dykes, the national museum's director, says the project is one "very close to my heart. It is important that we should have a major presence in North Wales so that we are not seen as a primarily South Wales institution."

The museum has been able to go ahead thanks to the financial backing of the Central Electricity Generating Board, which is putting up half the £1m cost in order to have an exhibition of the history of energy, electricity in particular.

The museum will be on the site of Oriel Eryri, or Snowdon Gallery, at Llanberis, which is also the location of CEGB's underground Dinorwig pump-storage power station buried away in an adjacent mountainside.

Dr Dykes is particularly pleased with the arrangement both because the CEGB approached the museum and because an earlier attempt by the two parties to get such a deal going came to nothing.

The CEGB intends to mount a permanent exhibition on the site whereas the museum will have permanent and "travelling" displays. Dr Dykes especially wants to be able to show artefacts in the new museum that originated in North Wales but are now housed in Cardiff.

There will also be a permanent history of the evolution of Wales from geology to industrial and social history. "It is my intention that the Museum of the North should become a major focal point for the cultural life of the area as well as an important tourist centre.

Dr David Dykes, Director of the National Museum of Wales

Next summer will also see the second year of a new music festival at Gregynog, a Victorian mansion just outside Newtown, Powys, owned for the last 25 years by the University of Wales.

Fifty and more years ago Gregynog, then in the possession of the redoubtable Davies sisters, renowned philanthropists, echoed not only to the music but also to the presence of Elgar, Vaughan Williams and Gustav Holst. Festivals of music and poetry under the direction of Walford Davies regularly drew crowds to this beautiful part of the countryside.

The revival of festival music-making at Gregynog arose out of a request to Anthony Rolfe Johnson, one of the world's leading tenors, to take part in a fund-raising concert. On holiday in his own cottage last year Mr Johnson was asked to take part in a concert in Gregynog to raise funds for the Urdd, the Welsh League of Youth, whose annual eisteddfod was held in nearby Newtown this year.

Mr Johnson, delighted with his reception, suggested to the warden of Gregynog that there might be scope for something more comprehensive than a one-off concert — and found himself organising it.

Others quickly backed him, including Mid Wales Development and some prominent companies such as Laura Ashley whose international headquarters are only a few miles away in the village of Carno, Austin Reed and Shulton (the Old Spice concern).

Mr Johnson found the artists for this year's festival by the simple expedient of rounding up as many of his friends as were free during the festival week in June. People like Ben Luxon, the bass-baritone, Catherine Wyn Rogers, a mezzo soprano and Jean Rigby, another mezzo, gave their services free, as did Gabriel Woolf, the actor, and the Northern Chamber Orchestra.

The accent was not just on music: as Gregynog once played host to poetry so too it was included; A E Housman's Shropshire Lad echoed through halls not that many miles away from Wenlock.

"Musicians love to play at festivals where the atmosphere is convivial and the standards of the highest," Mr Johnson says. "To sing and play in a hall as intimate as Gregynog is a rare treat for musicians for whom playing to thousands is the norm."

So keen were they that many of them have offered to return next June. "Now there is a distinct chance that the festival's success could lead to its becoming an annual event.

This will not be easy to achieve because, as Mr Johnson says: "If it is to become an established event in the artistic calendar Gregynog must, of necessity, be based on the highest possible artistic standards." And that means high costs since artists will not always be willing to donate their services.

The arts scene in Wales has also been much enhanced in 1988 by the opening of the National Portrait Gallery's fourth outstation at Bodelwyddan Castle in Clwyd. Wales now has a major permanent collection of 19th century portraits on show and the exhibition of over 100 portraits of great Victorians has been complemented by the loan of some of the Victoria and Albert Museum's most important pieces of 19th century furniture.

Clwyd County Council has been instrumental in bringing about this gallery. It bought the castle, a 15th century building, in 1982 following its demise as a boarding school, and transformed both it and the surrounding parkland into an important national monument.

Work on the parkland enabled Bodelwyddan gardens — artistic rather than of the arts — to house part of the largest private collection of dahlias in the country. The 2,000-strong collection owned by Mr David Brown of Oxford, is being broken into smaller lots and distributed to various garden and horticultural concerns and 350 varieties, one of the smaller collections, are to be at Bodelwyddan.

The restoration of Bodelwyddan Castle has enabled the National Portrait Gallery to show a collection which would otherwise not have been available because of the lack of space in the London gallery and so is a bonus for art lovers everywhere as well as for Wales.

While these moves have been taking place the Institute of Welsh Affairs has been starting work on a major review of the arts in Wales. The Institute was set up last year and has already produced one well-received report on the regeneration of the South Wales valleys. Now it is to look at the whole question of the arts in Wales, from their contribution to the economy, to ways in which the quality of training for artists in the country might be improved. It expects to produce its report next year.

The Welsh institute's work follows closely on that of the Policy Studies Institute which reported in July that the arts generate a turnover of £10bn a year in the UK and give direct employment to nearly 500,000 people.

This progress has come at a time when the New Theatre has reopened in Cardiff after a multi-million pound facelift, when the Grand in Swansea has consolidated its position, and the Sherman Theatre in Cardiff has been saved from closure.

Wales, a country that for long has relied on its musical traditions for much its artistic heritage, is developing rather nicely along many different paths now.

Airport delays may persuade more people to holiday at home

Tourist industry lifts targets

IF THE chaos in the air that has hit holidaymakers this year, and the long delays at airports like Gatwick and Luton continue next year, Britain could be in for a bumper summer. Blackpool, Brighton, Llandudno and the like could find themselves inundated with visitors who prefer to spend a fortnight in a resort rather than a considerable part of it in an airport lounge.

Or Llangoed Castle, in Powys, where next May, Sir Bernard Ashley, chairman of the famous textiles-to-shops group that bears his late wife's name, opens what he intends to be the best country-house hotel in Britain.

Or Portmeirion, the Italianate village created by the late Sir Clough Williams-Ellis near Penrhyndeudraeth in the depths of Snowdonia, where the famed hotel has re-opened after a fire that at one time threated to close it altogether.

Mr Paul Loveluck, chief executive of the Wales Tourist Board, stresses the opportunities. "Tourism now brings £1bn a year to Wales," he says, "and provides far more jobs than any other single industry. By developing tourism properly we can make a significant contribution to the Welsh economy."

The board, under its chairman, Mr Prys Edwards, an Aberystwyth architect, has set itself a target of boosting that income by a third to £1.3bn by 1992, when it sees Europe as part of the home market. Even that income, Mr Edwards warns, will still leave very small margins for the hotelier, restaurateur or operator of tourist activities.

It also leaves Wales considerably behind Scotland in the fight to attract visitors. The Scots are thought to earn some £1.8bn a year already and will undoubtedly have boosted their own figure by 1992.

Only about 4 per cent of foreigners spending a holiday in Britain come to Wales for an overnight stay, a figure which is rising fractionally but which is still not quite half the proportion going to Scotland.

If they are to be attracted, Mr Loveluck says, then Wales must have more top-line hotels. The target is to produce five major new hotels in the next five years. The expanded and refurbished Lake Vyrnwy Hotel is one towards the total and the Holiday Inn at Swansea and the Cardiff Bay Hotel in Cardiff, which are due to open next year, are two others.

But there is also a need for development of more hotels in a different bracket, the coaching-house type, slightly out-of-town in the larger places or in some of the resorts where the coach operators and their tour places can be accommodated.

The example very much in *mind is the Metropole Hotel in* Llandrindod Wells, a three-star place with 121 rooms where the proprietor-manager, Mr David Baird-Murray, has spent a large sum not just on installing a bath or shower in every room but has also put in a swimming pool as part of a health-and-leisure centre.

The major Welsh tourist draw at present is the National Museum of Wales in Cardiff, which attracted just over half a million visitors last year, a large proportion of whom were school and other parties. By comparison more than five times as many people visited Westminster Abbey, a large proportion of them tourist-visitors to London.

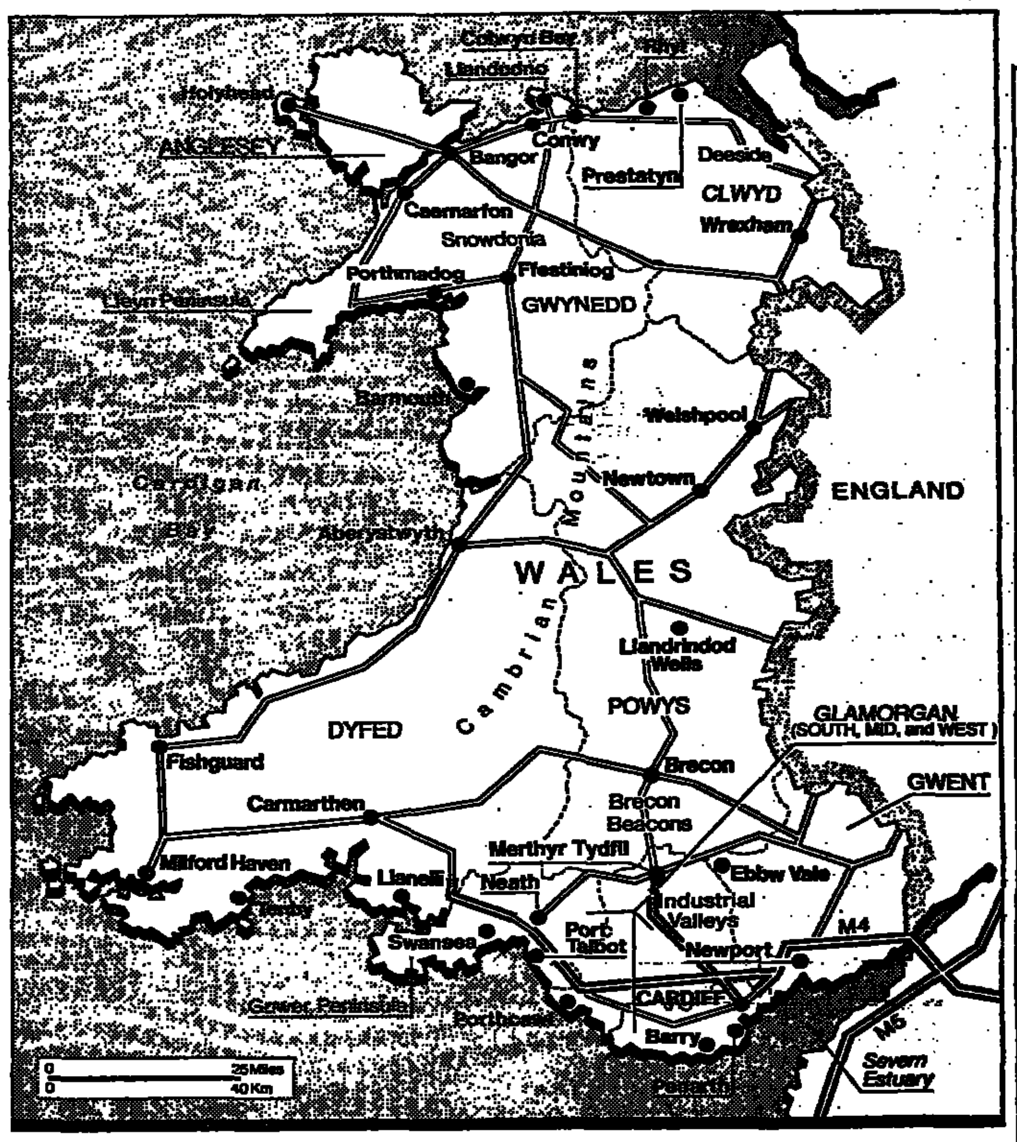
Wales, therefore, has to "sell" its great strength, its incomparable beauty and opportunities for active vacations such as walking, mountaineering, pony trekking and sailing. Here, though, care has to be taken in development because demographic changes could negate any investment and quickly turn attractive centres into white elephants.

Demographic trends in Britain are producing an aging population and the decline in the under-25 group means less demand for rigorous activities. An increase in the proportion of 25 to 34-year-olds, on the other hand,means means a greater demand for family activities – steam railways rather than surfboarding, perhaps.

Mr Loveluck says that these changes can be accommodated by concentrating on quality of service, working with the industry, the creation of new career patterns. "We have to get across to the public that this is an industry with a high degree of interpersonal skills and one that can bring considerable personal satisfaction to those working in it."

The prospects for the industry are enhanced by an awareness *among developers and* local authorities that hotels are a pre-requisite for other big developments. Undertakings in places as disperate as Deeside in North Wales and Merthyr Tydfil and Bridgend in the south all have the word "hotel" pencilled in. Even within the South Wales valleys, long thought of as the most depressed part of the country, some of the brewers have ambitious ideas to upgrade their public houses and add bedrooms in some of them.

The imposing entrance to 700-year old Harlech Castle in Gwynedd: one of Wales' most famous tourist attractions



Revival in the making

Continued from Page 1

ures are not what they seem since they do not compare like with like. The government has revised the method of calculation on which the totals are based *many times since 1979*, each time resulting in a "massaging" of the figures. Although the 10.7 per cent unemployment in Wales, on a seasonally adjusted basis, this summer represented 127,000 people, academic research indicates that the "real" figure is nearer 174,000, representing 16.4 per cent. In other words, if this summer's figure had been calculated on the same basis as in 1979, there would be a further 40,000 shown as unemployed.

Professor George also warns that the higher level of activity and the improvement in job prospects "must be seen in perspective." While the index of industrial production and construction in the final quarter of last year was 5.3 per cent higher than in 1980, it was 6.4 per cent lower than in the peak year of 1979, indicating just how much the recession drained the Welsh economy.

"Manufacturing industry," he says, "which has shown the strongest recovery, being 14 per cent above 1980, has still only just regained the 1979 level."

Perhaps the most damaging criticism he makes, though, is that the Welsh economy has been performing relatively poorly in some of the most dynamic sectors such as computers for commercial activities, microprocessors in manufacturing and the use of robotics.

This is because too little R&D is undertaken in the country. Wales has done well to attract final investment for assembly but there are too few concerns like AB Electronics which have their own R&D operations, especially in the early stages of the production cycle. Wales cannot compare with the amount of R&D effort being undertaken in the Cambridge area, for instance.

Compared with the 1960s though, compared even with the later 1970s, Wales is a changed place. A new economic infrastructure is being built attracting new, hopefully more resilient, companies less subject to the branch-plant syndrome. But Wales needs several more years of such growth before it can be said to have an economy with the diversification and strength of those in many English regions. But, as the arrival of Rothschild indicates, there is now growing confidence outside the country in what is happening within it. That could be the most significant thing that has happened for decades.